

City of Kankakee, Illinois

Comprehensive
Annual Financial Report
for the Fiscal Year Ended
April 30, 2013

Prepared by:
The Comptroller's Office
Elizabeth D. Kubal
Comptroller

**CITY OF KANKAKEE, ILLINOIS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED APRIL 30, 2013**

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INTRODUCTORY SECTION



Comptroller
304 South Indiana Avenue
Kankakee, Illinois 60901
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November 8, 2013

Honorable Mayor, City Aldermen, and citizens of the City of Kankakee:

The Comprehensive Annual Financial Report (CAFR) of the City of Kankakee, Illinois (the City) for the fiscal year ended April 30, 2013 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with City's management. To the best of the Comptroller's knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of all the governmental activities, business-type activities, component units, and funds of the City of Kankakee. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. The financial statements presented here are in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants.

This letter of transmittal should be read in conjunction with management's discussion and analysis (MD&A) to obtain the most complete assessment of the City's current financial status and its future prospects.

The Reporting Entity and its Services

This report includes all of the funds for the City of Kankakee (the primary government), as well as its two component units, the Kankakee Public Library and Special Service Area #1. Component units are autonomous entities for which the primary government is financially accountable.

The City of Kankakee was incorporated in 1865 and operates as a home rule municipality pursuant to the 1970 Illinois Constitution. The City is governed by an elected mayor and a City Council comprised of 14 aldermen. Two aldermen are elected from each of the City's seven wards for four-year terms. Mayoral elections are held every four years.

The City provides a full range of public services including: public safety (police, fire, emergency ambulance, and code enforcement), street and public infrastructure maintenance, sanitation, sanitary sewer collection, storm drainage, health and social services, culture and recreation, municipal planning and zoning, and general administrative services. Wastewater treatment service is provided by the Kankakee River Metropolitan Agency (KRMA), which is jointly owned and operated by the City and the neighboring Villages of Bradley, Bourbonnais and Aroma Park. Water service is provided by Aqua Illinois Water Company, a private utility.

The City of Kankakee is located in Kankakee County, approximately 60 miles south of Chicago in the northeastern section of the State of Illinois. The City has recently extended its boundaries in a southerly direction through annexation. Since 1990, the area of the City has grown from 10.2 square miles to the current 14.5 square miles, an increase of 42% in land area. With a current population of 27,537 (2010

U.S. Census), the City acts as the industrial and service center for the Kankakee metropolitan area, operates at the center of a metropolitan populace of approximately 75,000 people, and is the county seat of Kankakee County, which has a population of 113,449 people.

The Kankakee River

One of the City's greatest assets from an economic and recreational standpoint is the Kankakee River, which flows in a northwesterly direction through the middle of the City. At the point where it flows through the City, the river is about ¼ of a mile wide. There are several City parks along the river's edge that provide opportunities for public fishing and boating activities. At the end of each summer, the City hosts a national speed boat racing championship on the river which draws many boaters and tourists to the area. The Kankakee River State Park, which covers an area of about 4,000 acres, is located about seven miles northwest of the City. The park attracts thousands of tourists to the area annually.

The Kankakee River serves as the source for the metropolitan region's drinking water supplied by Aqua Illinois, Inc., a private utility. The river has a dam close to the downtown area of the City. The water behind the dam powers a City owned low-head hydroelectric plant. The plant generates electricity that is used for the operation of the KRMA wastewater treatment plant.

Transportation

The City is situated in the center of Kankakee County, which is contiguous to Will County on its northern border. One of the nation's major north-south routes, I-57, passes along the eastern side of the City. This interstate highway provides access to the heart of the City of Chicago in approximately one hour driving time. The City of Kankakee is about 30 miles south of I-80, a major national east-west highway connecting the east and west coasts of the nation.

The City's public road transportation needs are met by Greyhound bus line, as well as the region's metropolitan bus service. Railroads serving the County include Illinois Central Gulf (owned by Canadian National Railroad), Conrail (owned by Norfolk Southern), and Amtrak (provides passenger service). The Kankakee Valley Airport, located two miles south of the City's downtown area, has hangar space for 110 aircraft. The airport is utilized by both general aviation aircraft and corporate planes.

Education

Kankakee School District No. 111 provides educational services for pre-kindergarten through grade 12 with enrollment of approximately 5,189. The four parochial schools serving the Kankakee area (Aquinas Catholic Academy, Bishop McNamara High School, Grace Christian Academy, and Kankakee Trinity Academy) have a total enrollment of 996 students. Higher education is available through Olivet Nazarene University (a four-year liberal arts college) in Bourbonnais, and Governor's State University, which is located about ten miles north of the county line in Will County (University Park). Olivet Nazarene University has increased its enrollment to the current level of 4,600, which includes 3,349 undergraduates. The number of students living on-campus has grown substantially from 1,100 in 1990 to 2,212 in 2013. The number of graduate level students in 2013 is 1,251. Two year undergraduate education is offered at Kankakee Community College, located on a 160 acre campus in Kankakee. There are 4,500 students currently enrolled at the community college. The college reports that it has a total of 18,900 students taking classes each year.

Internal Control Objectives and Inherent Limitations

City of Kankakee management is responsible for establishing, implementing and maintaining a framework of internal controls designed to ensure that City assets are protected from loss, theft or misuse, and to ensure that sufficiently reliable information is compiled to provide for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of control should not exceed the benefits likely to be derived, the City of Kankakee's internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

The Comptroller's Office is responsible for providing all centralized City financial services, including financial accounting, reporting, budgeting, payroll, collections, accounts payable, cash and investment management, and debt management. The Comptroller, who is appointed by the Mayor to supervise the department's operations, asserts that, to the best of her knowledge and belief, this financial report is complete and reliable in all material respects.

Budget Process

The City of Kankakee adopts annual budgets for the General Fund, Band Fund, IMRF Fund, SSA#2 Fund, and SSA#3 Fund. For the other special revenue funds, legally authorized non-appropriated budgets are used to control expenditures on a project (or designated purpose) basis, and are carried forward each year until the project is completed or the designated purpose has concluded. No legally adopted budgets are prepared for the capital projects and debt service funds. Expenditures for capital project funds are controlled on a project basis. Expenditures for debt service funds are controlled through general obligation bonds' indenture provisions. Additional information related to the City's budget process can be found on page 80 of this report.

Long-term Financial Planning

The City endorses the concept that those who benefit from the use of the City's capital assets should pay a proportionate share of the costs of those assets. The City has financed a host of capital projects (over \$54 million) over the past 20 years through the issuance of bonds. This has enabled the City to amortize the costs of the projects, at least to a degree, over the life of the constructed assets. The Capital Projects Fund, which provides the financing for major capital improvements over a multi-year basis, has been a useful tool to the City in planning for the replacement and enhancement of its infrastructure assets.

City Government Operations and Finances

The national economic slowdown continues to exert a major impact on the City's financial operations. City Administration responded to national economic conditions at the beginning of fiscal 2011 by moving its Public Works Department from the General Fund to the Sewer and Solid Waste Utility Funds to more properly match the Public Works environmental control (storm water management) and solid waste handling responsibilities with the related sewer and solid waste revenues. The City's General Fund did contribute \$1.0 million to the Solid Waste Fund in fiscal year 2013 to pay for those Public Works costs not directly attributable to either environmental control or solid waste handling.

City Administration further responded to its concerns regarding the economy by reducing its General Fund payroll costs. The City negotiated with its various organized labor groups to negotiate a wage concession of up to 12% per employee (estimated value of over \$1.3 million) during fiscal 2011 through a combination of attrition, non-wage cost reductions, or direct wage concessions.

Early in fiscal 2012, the City restructured, reduced staff by five people and realized additional personnel reductions of three employees through attrition, allowing the City to adopt a break-even budget for fiscal year 2012 and concluded that fiscal year with a small (\$0.02 million) fund balance increase. As a result of the reorganization and other adjustments, the City was able to adopt a fiscal 2013 budget that included a small \$.25 million surplus that was attained. In fiscal 2014, a small surplus has also been budgeted in the amount of .25 million.

In fiscal year 2000, the City entered into sales tax sharing agreements with various retail firms. These agreements have added a substantial amount of additional sales tax revenue to the City's General Fund. This tax sharing program is based on a company's willingness to site a purchasing and/or sales approval office within the boundaries of the City. The agreements provide that the City will share a portion of the local share of sales taxes that are generated on the transactions of the partnering companies. Although sales tax receipts have slightly declined as compared to budget, there has been a corresponding decrease in the related tax incentives from the sales tax sharing program. The City has recently been named in two lawsuits regarding its sales tax incentive agreements.

The City completed renovations to the former Library Building in July 2008, and that building now acts as the City Administration Building (Mayor, Clerk, Legal, Personnel, Comptroller, and Adjudication). The old City Hall was also renovated, and opened in April 2009 as the Public Safety Center. It houses the Police Department and the Fire Department Administration Division. City Council meetings are again being conducted in the Council Chambers located on the second floor of the Public Safety Center.

Major Initiatives and Economic Outlook

Employment opportunities in the City are diverse. On the private side, several companies in the Kankakee metropolitan area are manufacturing divisions of Fortune 500 companies making a variety of products. Many of these industries compete in national and international markets. Major regional employers include Armstrong World Industries, BASF Corporation, K-Mart and Sears Distribution Centers, WalMart, Bunge, CSL Behring, Dow International, CIGNA Insurance Claims Processing Center, Baker and Taylor, Presence St. Mary's Hospital, Super K-Mart, Riverside Medical Center and Shapiro Developmental Center.

The Kankakee metropolitan area has benefited from the investment in commercial activity. In August 1990, Northfield Square opened on the outskirts of the City. Northfield Square is a sizable mall, and includes Sears, JC Penney, and Carson Pirie Scott anchor stores. Mall stores employ about 1,000 people. Several other stores and establishments that are nationally recognized have operations located in the area. They include Holiday Inn Express, Comfort Inn, Fairfield Inn, Hampton Inn, Best Buy, Red Lobster, Pier 1 Imports, Panera Bread, Lone Star Steak House, Cracker Barrel, TGI Fridays, Target, Barnes & Noble Booksellers, Staples, International House of Pancakes, Buffalo Wild Wings, and WalMart (one store just north of the City, and another on the south side of the City).

In 2003, the City initiated redevelopment at Exit 308 on the southern border of the City. The project initially brought a Hilton Garden Inn hotel/convention center complex (completed late Summer 2004). A

Gas City service station, which includes Dunkin Donuts, Great American Hotdog, and Subway Sandwich shops opened in December 2005. A Taco Bell/Kentucky Fried Chicken Restaurant opened in late 2007, and a WalMart Super Center opened for business in April 2008 in the project area. During fiscal 2009, a Dollar Tree Store, the El Mexicano Restaurant, Best Mattress Store, and the Cash Store commenced operations in a retail outlet complex located between the hotel and the WalMart. Aldi constructed a new store just outside this project area, which opened in November 2009. There is optimism that this project will continue to act as an anchor for additional commercial and residential growth in south Kankakee.

Other significant economic events during the past few years include the following:

- continued investments in infrastructure improvements (curb, gutter, sidewalk, and other capital improvements and additions) of over \$54 million throughout the City
- completion of a four-story parking garage (600 parking spaces) at Riverside Medical Center
- expansion of the Riverside Medical Center facilities for outpatient, women's health, cancer care and physician offices completed at a total estimated investment of \$24 million
- expansion and modernization of Riverside Medical Center, completed in late 2011 at an investment of up to \$65 million added 115,000 square feet and houses 12 state-of-the-art operating rooms, one dedicated cesarean-section operating room, 18 private intensive care unit rooms, seven new labor, delivery and recovery rooms, and 23 family-centered private rooms
- expansion of the IKO Roofing manufacturing facility that employs 55 full time people, originally built at a cost of \$40 million in April 2006
- the relocation and expansion of the Jones International truck dealership on seven acres of land in the Eastgate Industrial Park from its previous Court Street operation at an investment of over \$1 million, and retention of 12 jobs
- construction continues at BASF Corporation on a \$17 million expansion project that will serve to retain 280 jobs and will involve the relocation of a product line from a South Carolina facility
- addition of the Illinois Central Plaza park (including a water fountain) and Merchant Street Parking Lot, providing additional downtown parking, following the demolition of the aged former Carson Pirie Scott Building
- Kankakee Community College completed construction of a \$9 mil. Arts and Sciences building
- the creation of a partnership between the City and the local newspaper company, the Daily Journal, and several sponsoring companies, to create an internet "Hot Spot" named Wi-fi Kankakee (www.wifikankakee.com) to provide limited free and unlimited affordable internet services for residents, businesses, and visitors

- Sun Chemical, a manufacturer of specialty inks used for packaging, annexed its manufacturing facility into the City during calendar year 2009 and subsequently expended \$33 million to expand its manufacturing facility

Future economic activities include:

- the Kankakee County Economic Alliance continues to partner with the City on a comprehensive land use study of the areas surrounding and connecting Presence St. Mary's Hospital and Riverside Medical Center for creation of a health care corridor
- the City and the Kankakee Development Corporation partnered to revamp the Lakota Group Downtown Plan that was created in 2000; the plan provides a framework for developers and businesses seeking to locate in the downtown area

Independent Audit

Illinois Compiled Statutes require an annual audit of the City's books of account, financial records, and transactions by an independent certified public accountant. The Certified Public Accounting firm of Groskreutz Schmidt Abraham Eshleman & Gerretse performed the audit of the records of the City for the fiscal year ending April 30, 2013. Their report is included herein.

The independent audit of the basic financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal control and legal requirements involving the administration of federal grants. The Federal Single Audit is also included in this report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kankakee, Illinois for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended April 30, 2012. This was the sixteenth consecutive year that the City of Kankakee has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

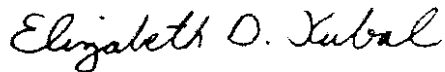
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

Timely and fairly presented financial statements and reports are essential to legislative officials, creditors, financial analysts, the general public and others having need for government financial information. The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff (Jeannette Holden, Maureen Kambic, Elyssa Macias, and Tamie Seedorf) of the Comptroller's Office. We especially appreciate their dependability and the routine manner in which they each consistently, effectively and accurately perform their work.

We would like to express our appreciation to the Mayor and City Aldermen for supporting this office's efforts to manage the City's financial operations in a responsible and progressive manner. We would also like to express our appreciation to the firm of Groskreutz, Schmidt, Abraham, Eshleman & Gerretse for their professionalism, expertise, and assistance in the preparation of this report, with special appreciation to M.J. Abraham, Partner, Rebecca Schatz, Manager, and auditors, Dan Brough, Jessica Gerretse, Jason Guest and Ryan Williamson.

Respectfully submitted,

A handwritten signature in cursive script that reads "Elizabeth D. Kubal".

Elizabeth D. Kubal
Comptroller

City of Kankakee, Illinois

Officers and Officials

April 30, 2013

Elected Officials

Mayor

Nina Epstein (2009 – 2013)

City Clerk

Anjanita Dumas (2001 – 2013)

Council Members

First Ward

James R. Cox (1985 – 2015)

Glenn E. Davidson (2009 – 2013)

Fifth Ward

Dexter Thompson (2011 – 2015)

Tyler D. Tall (2010 – 2013)

Second Ward

James H. Stokes, Jr. (2011 – 2015)

Cheryl Jones (2005 – 2013)

Sixth Ward

Dennis Baron (1987 – 2015)

Christopher Curtis (2012 – 2013)

Third Ward

Stephen Linneman (2008 – 2015)

Larry A. Osenga (2009 – 2013)

Seventh Ward

Steven Hunter (1973 – 2013)

P. Carl Brown (2001 – 2015)

Fourth Ward

Danita Grant Swanson (2003 – 2015)

James A. Faford (2009 – 2013)

Appointed Officials

Larry Regnier

Police Chief

L. Patrick Powers

City Attorney and Treasurer

Ronald Young

Fire Chief

James Gordon

Personnel Director

Bert Dear

Public Works Superintendent

James Banasiak

Director, Code Enforcement

David Tyson

City Engineer

James A. Spice

Comptroller

Clifford Cross

Community Development Director

Julie Choquette

Victim's Assistance Director

Richard Simms

Municipal Utility Superintendent

Steve Bertrand

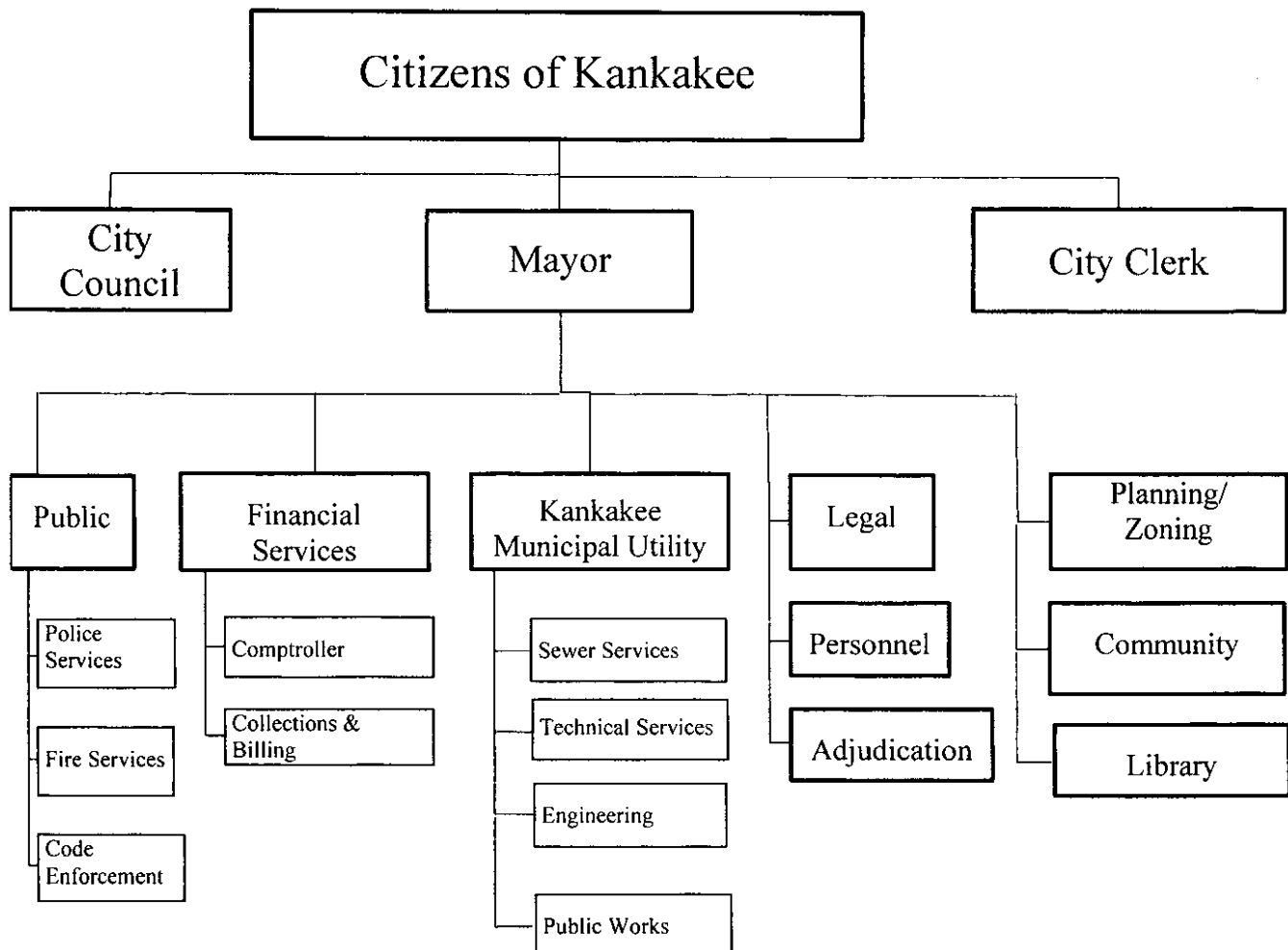
Library Director

Chris Bohlen

Chief Legal Counsel

City of Kankakee, Illinois

Organizational Structure





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Kankakee
Illinois**

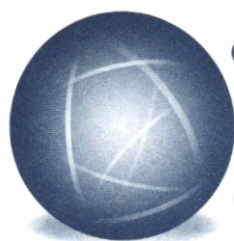
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

April 30, 2012



Executive Director/CEO

FINANCIAL SECTION



**GROSKREUTZ
SCHMIDT
ABRAHAM
ESHLEMAN
& GERRETSE**

PARTNERS

Larry D. Groskreutz, C.P.A.
M.J. Abraham, C.P.A.
Amy Eshleman, C.P.A.
Dale L. Gerretse, C.P.A.

ACCOUNTANTS AND CONSULTANTS

MEMBERS OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the City Council
City of Kankakee, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kankakee, Illinois, (the City) as of and for the year ended April 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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216 Hack Street
Cullom, Illinois 60929
Phone: (815) 689-2174

214 South Center Street
Forrest, Illinois 61741
Phone: (815) 657-8433

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of April 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2013, the City adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and supplemental schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and supplemental schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and supplemental schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The prior year comparative information has been derived from the City's 2012 financial statements and, in our prior year report dated October 18, 2012, we expressed unqualified opinions on the respective financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Groskreutz, Schmidt, Abraham, Eskleman & Gerretze

Kankakee, Illinois
November 8, 2013

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MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2013

The City of Kankakee (the City) is pleased to present its Management's Discussion and Analysis (MD&A) related to the City's financial information for the fiscal year ended April 30, 2013. The MD&A serves as an introduction to the City's basic financial statements, and is designed to: 1) inform the reader about significant financial issues, 2) provide an overview of the City's financial activity, 3) identify changes in the City's financial position (its ability to address subsequent years' challenges), 4) identify any material deviations from the financial plan (the approved budget), and 5) identify individual fund issues or concerns.

The City, in accordance with generally accepted accounting principles, presents its financial statements with two perspectives of its financial position and results of operations. The first perspective, presentation of government-wide statements, provides financial information for the entire governmental unit. The other perspective, presentation of fund statements, provides financial information for individual accounting entities (called funds) established by the City for specific purposes. The focus of the fund statements is on major funds. Both perspectives (government-wide and fund) are designed to address likely user questions, provide a broad basis for comparison (year-to-year or government-to-government), and enhance the City's accountability.

Since this MD&A is designed only as an overview of the current fiscal year's activities, resulting changes, and currently known facts, please read it in conjunction with the City's basic financial statements (beginning on page 15).

GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements provide readers with a broad, long-term view of the City's finances, and further distinguish between activities of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from activities that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements are a consolidation of all of the City's activities with the exclusion of financial information related to the fiduciary activities. The government-wide financial statements are found on pages 15 - 17. These statements also include similar financial information for the City's component units.

The governmental activities of the City include public safety (police, fire, and code enforcement), highways and streets, culture and recreation, economic development, and general administrative services. The business-type activities of the City include environmental services (storm water management and sewer collection and treatment), solid waste (trash) collection services, and public works.

The City also includes financial information for two separate legal entities in its report, the City's Public Library and its Special Service Area #1 (SSA#1). Although legally separate, these component units are important because the City is financially accountable for them. Financial information for these component units is reported separately in this report from the financial information presented for the primary government itself.

STATEMENT OF NET POSITION

The focus of the Statement of Net Position is to report the City's governmental and business-type activities in a "bottom-line" manner similar to private-sector business. This statement combines and consolidates all of the governmental funds' current financial resources (short-term spendable resources) with capital assets and long term obligations using the accrual basis of accounting and economic resources measurement focus.

For the City of Kankakee, assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources for the total primary government by \$33.8 million at April 30, 2013. The following table presents a condensed, comparative Statement of Net Position:

Table 1: Statement of Net Position as of April 30, 2013 and 2012 (in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Assets						
Current and Other Assets	\$ 34.2	\$ 34.0	\$ 7.9	\$ 9.4	\$ 42.1	\$ 43.4
Capital Assets	<u>\$ 85.0</u>	<u>\$ 86.3</u>	<u>\$ 29.2</u>	<u>\$ 29.9</u>	<u>\$ 114.2</u>	<u>\$ 116.2</u>
Total Assets	<u>\$ 119.2</u>	<u>\$ 120.3</u>	<u>\$ 37.1</u>	<u>\$ 39.3</u>	<u>\$ 156.3</u>	<u>\$ 159.6</u>
Deferred Outflows of Resources	<u>\$ 0.6</u>	<u>\$ 0.7</u>	<u>\$ 0.1</u>	<u>\$ 0.1</u>	<u>\$ 0.7</u>	<u>\$ 0.8</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 119.8</u>	<u>\$ 121.0</u>	<u>\$ 37.2</u>	<u>\$ 39.4</u>	<u>\$ 157.0</u>	<u>\$ 160.4</u>
Liabilities						
Long-term Debt Outstanding	\$ 83.5	\$ 87.5	\$ 13.6	\$ 13.7	\$ 97.1	\$ 101.2
Other Liabilities	<u>\$ 8.1</u>	<u>\$ 6.5</u>	<u>\$ 0.9</u>	<u>\$ 0.7</u>	<u>\$ 9.0</u>	<u>\$ 7.2</u>
Total Liabilities	<u>\$ 91.6</u>	<u>\$ 94.0</u>	<u>\$ 14.5</u>	<u>\$ 14.4</u>	<u>\$ 106.1</u>	<u>\$ 108.4</u>
Deferred Inflows of Resources	<u>\$ 17.1</u>	<u>\$ 16.6</u>	<u>\$ 0.0</u>	<u>\$ 0.00</u>	<u>\$ 17.1</u>	<u>\$ 16.6</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 108.7</u>	<u>\$ 110.6</u>	<u>\$ 14.5</u>	<u>\$ 14.4</u>	<u>\$ 123.2</u>	<u>\$ 125.0</u>
Net Position						
Net Investment in						
Capital Assets	\$ 49.0	\$ 42.8	\$ 20.9	\$ 21.8	\$ 69.9	\$ 64.6
Restricted	\$ 6.3	\$ 7.6	\$ 1.7	\$ 2.0	\$ 8.0	\$ 9.6
Unrestricted	<u>\$ (44.2)</u>	<u>\$ (40.0)</u>	<u>\$ 0.1</u>	<u>\$ 1.2</u>	<u>\$ (44.1)</u>	<u>\$ (38.8)</u>
Total Net Position	<u>\$ 11.1</u>	<u>\$ 10.4</u>	<u>\$ 22.7</u>	<u>\$ 25.0</u>	<u>\$ 33.8</u>	<u>\$ 35.4</u>

(Note: There may be some slight differences in totals due to rounding)

For more detailed information, see the Statement of Net Position (page 15).

Governmental Activities – Statement of Net Position highlights

The governmental activities columns present a consolidated view of all of the City's governmental funds. Net position from governmental activities increased \$0.7 million (6.7% to FY'13 balance of \$11.1 million), total assets and deferred outflows of resources decreasing \$ 1.1 million and total liabilities and deferred inflows of resources decreasing \$2.4 million, as a result of the following major shifts in assets and liabilities:

- cash decreased \$ 0.4 million (4.2% to FY'13 balance of \$8.3 million)
- depreciable assets decreased \$1.3 million (1.6%) as a result of the \$1.7 million charge for normal depreciation
- long-term liabilities due in more than one year decreased \$3.9 million (4.8% to FY'13 balance of \$76.7 million) through normal amortization of existing debt and increases in other long-term liabilities
- accounts payable increased \$1.5 million as a result of regular City operations

Business-Type Activities – Statement of Net Position Highlights

The business-type activities columns present financial information for the Environmental Service Utility (ESU, a major fund) and the Motor Vehicle Parking Lot (non-major fund). As the non-major fund represents less than 10% of the total business-type fund balance, only changes to the major fund are highlighted in the following analysis.

Total net position for the business-type activities decreased \$2.3 million (9.2% to FY'13 balance of \$22.7 million), with total assets decreasing by \$2.3 million (5.8% to FY'13 balance of \$37.1 million) and total liabilities increasing by \$ 0.1 million (0.7% to FY'13 balance of \$14.5 million). The following major shifts in the utility funds' assets and liabilities included:

- total cash decreased by \$1.7 million (43.6% to FY'13 balance of \$2.2 million) as ESU continued to finance various capital improvements with earlier issued bond proceeds
- receivables from joint ventures and other governments increased \$0.1 million (2.5% to FY'13 balance of \$4.1 million) as ESU acted as a conduit for a financing line-of-credit for the Kankakee River Metro Agency (KRMA), the waste processing agency for the metropolitan region, to provide interim financing for repairs and improvements to the treatment plant after an accidental explosion at the agency in December 2010 severely damaged the treatment plant

Component Units – Statement of Net Position Highlights

The City includes two separate legal entities in its report, the Kankakee Public Library and the SSA #1. Although legally separate, these component units are important because the City is financially accountable for them. One component unit, the Kankakee Public Library, comprises nearly 89% of the total assets for the combined component units. There were no significant financial changes in the component units this fiscal year.

STATEMENT OF ACTIVITIES

The Statement of Activities presents information that indicates how the City's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The following Statement of Activities table compares the revenues and expenses of the current and most recent fiscal years for the City's governmental and business activities, and the resulting changes in net position:

Table 2: Statement of Activities for the Fiscal Years Ended April 30, 2013 and 2012 (in millions)

	Governmental Activities			Business-type Activities			Total Primary Government Activities		
	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>2013</u>	<u>2012</u>	<u>Change</u>
Program Revenues									
Charges for service	\$ 2.1	\$ 1.9	\$ 0.2	\$ 12.6	\$ 12.0	\$ 0.6	\$ 14.7	\$ 13.9	\$ 0.8
Capital grants/ contributions	0.3	0.1	0.2	-	-	-	0.3	0.1	0.2
Operating grants/ contributions	3.2	3.9	(0.7)	-	-	-	3.2	3.9	(0.7)
General Revenues									
Property taxes	13.9	13.5	0.4				13.9	13.5	0.4
Sales taxes	18.5	18.7	(0.2)				18.5	18.7	(0.2)
Utility taxes	4.1	3.9	0.2				4.1	3.9	0.2
Other taxes	3.6	3.3	0.3				3.6	3.3	0.3
Intergovernmental	0.1	0.1	-	-	0.4	(0.4)	0.1	0.5	(0.4)
Investment income	0.1	0.1	-	-	-	-	0.1	0.1	-
Other	0.4	1.1	(0.7)	0.1	0.2	(0.1)	0.5	1.3	(0.8)
Equity interest in joint venture				(0.1)	(0.2)	0.1	(0.1)	(0.2)	0.1
Total Revenues	<u>46.3</u>	<u>46.6</u>	<u>(0.3)</u>	<u>12.6</u>	<u>12.4</u>	<u>0.2</u>	<u>58.9</u>	<u>59.0</u>	<u>(0.1)</u>
Program Expenses									
General government	7.8	8.2	(0.4)				7.8	8.2	(0.4)
Public safety	17.1	17.0	0.1				17.1	17.0	0.1
Highways and streets	2.6	3.1	(0.5)				2.6	3.1	(0.5)
Community development	1.9	2.2	(0.3)				1.9	2.2	(0.3)
Culture and recreation	0.1	0.2	(0.1)				0.1	0.2	(0.1)
Economic development	12.9	12.3	0.6				12.9	12.3	0.6
Interest and fiscal charges	2.6	2.8	(0.2)	0.4	0.5	(0.1)	3.0	3.3	(0.3)
Proprietary fund expenses				14.1	13.6	0.5	14.1	13.6	0.5
Total Expenses	<u>45.0</u>	<u>45.8</u>	<u>(0.8)</u>	<u>14.5</u>	<u>14.1</u>	<u>0.4</u>	<u>59.5</u>	<u>59.9</u>	<u>(0.4)</u>
Changes in Net Position before Transfers	1.3	0.8	0.5	(1.9)	(1.7)	(0.2)	(0.6)	(0.9)	0.3
Transfers	<u>0.1</u>	<u>(0.1)</u>	<u>0.2</u>	<u>(0.1)</u>	<u>0.1</u>	<u>(0.2)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Changes in Net Position	<u>\$ 1.4</u>	<u>\$ 0.7</u>	<u>\$ 0.7</u>	<u>\$ (2.0)</u>	<u>\$ (1.6)</u>	<u>\$ (0.4)</u>	<u>\$ (0.6)</u>	<u>\$ (0.9)</u>	<u>\$ 0.3</u>

(Note: There may be some slight differences in totals due to rounding)

Governmental Activities – Statement of Activities Highlights

The City posted an increase in net position from governmental activities before transfers of \$1.3 million, an increase of \$0.5 million from the prior year. Sales taxes held steady around \$18.5 million as compared to the prior year. Sales tax incentive costs (economic development) increased to \$12.7 million from \$12.2 million in the prior fiscal year.

Gross sales tax revenues contribute significantly (40.0% of current year General Fund revenues) to the City's financial resources, due primarily to a sales tax sharing incentive program that the City implemented in fiscal year 2000. With this program, the City returns a substantial portion of the sales tax generated from the program to the program participants as an economic development incentive. It is important to note that the City has recently been named in two lawsuits regarding its sales tax incentive agreements. The following table illustrates the change in gross and net sales tax revenue over the past ten fiscal years –

Table 3: Sales Taxes and Incentives

<u>Fiscal Year</u>	<u>Gross Amount Received</u>	<u>less Incentives Paid</u>	<u>Net Sales Tax</u>	<u>\$ Change</u>	<u>Percent Change</u>
2004	14,998,857	10,701,236	4,297,621	653,888	17.9%
2005	22,351,192	17,066,791	5,284,401	986,780	23.0%
2006	25,107,826	18,938,693	6,169,133	884,732	16.7%
2007	23,695,013	17,678,395	6,016,618	(152,515)	-2.5%
2008	26,611,558	20,109,951	6,501,607	484,989	8.1%
2009	24,419,114	17,617,181	6,801,933	300,326	4.6%
2010	21,098,621	15,658,977	5,439,644	(1,362,289)	-20.0%
2011	21,276,641	14,799,988	6,476,653	1,037,309	19.1%
2012	18,699,437	12,250,191	6,449,246	(27,707)	-0.04%
2013	18,584,185	12,670,343	5,913,842	(535,404)	-8.3%

The City transferred \$1.0 million to the Environmental Services Utility (ESU) to reimburse for the City related operations of Public Works that ESU assumed. ESU transferred \$0.1 million to the General Fund as a payment-in-lieu-of-taxes, and \$0.9 million to the Debt Service Fund to amortize its revenue bonds. These and other interfund transfers are listed in Note 12 of the Notes to the Financial Statements.

The following charts graphically illustrate the composition of the City's revenues and expenses from governmental activities :

Chart 1: Composition of revenues from governmental activities

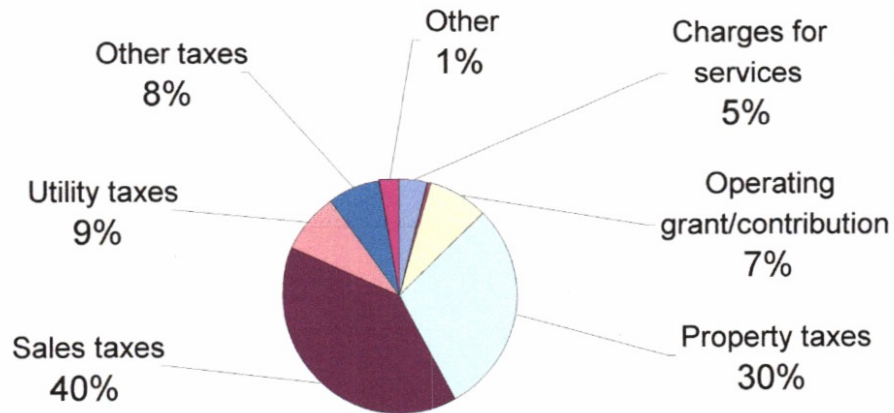
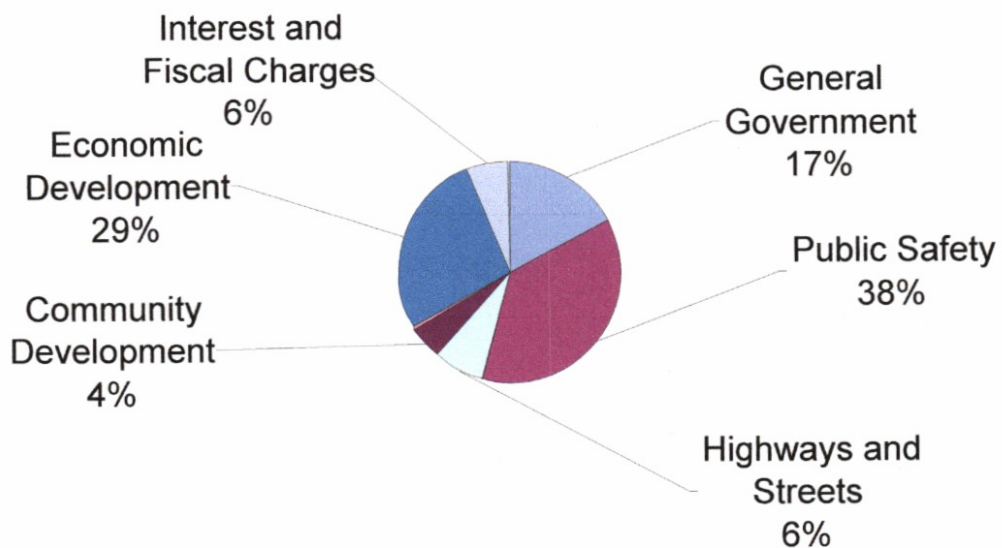


Chart 2: Composition of expenditures from governmental activities



Business-Type Activities – Statement of Activities Highlights

Business-type activities include the Environmental Services Utility (ESU). ESU is responsible for storm water management, sewer collection and treatment, solid waste management, and public works operations. ESU comprises the largest share of the business-type activities.

Normal depreciation expense of \$1.3 million comprised the major portion of the decline of \$2.0 million in business-type net assets for the fiscal year. ESU realized an equity interest loss from its equity interest its joint venture with the Kankakee Municipal Regional Agency (KRMA) in the amount of \$0.1 million (50% decrease in the total loss compared to the prior fiscal year amount). KRMA operates the regional sewer treatment plant.

The KRMA treatment plant experienced a major explosion at the plant in late 2010, leading to additional treatment costs because the treatment plant was not fully functional. ESU increased its sewer service rate at the beginning of FY'12, which provided funds to offset the increased costs that resulted from the KRMA treatment plant incident.

ESU transferred \$0.9 million to the Debt Service Fund for normal amortization of its revenue bonds, and \$0.1 million to the General Fund as payment-in-lieu-of-taxes. ESU received \$1.0 million from the General Fund as reimbursement for public works services that were non-sewer and solid waste service related.

Component Unit Activities – Statement of Activities Highlights

The component units, the Library and the Special Service Area #1 (Downtown), saw no significant change in net position from the previous year.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

The focus of governmental funds financial statements is on near-term financial resource inflows and outflows (sources and uses), on balances of the City's financial resources available at the end of the fiscal year, and on the City's budgeting compliance associated with the financial sources and uses. The financial statements for the governmental funds are presented for a second time, but in a different format. This second presentation of the financial statements by funds provides a comparison of the fund statements to the government-wide financial statements so a reader may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheets and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation (pages 19 and 21) to facilitate comparisons between the amounts reported in governmental funds to the amounts reported as governmental activities.

The proprietary funds are accounted for as business-type activities. Those financial statements do not change (and therefore, are not redisplayed) as fund financial statements. The financial statements for the City's two fiduciary funds are combined in the initial presentation, and are displayed separately in the Combining and Individual Fund Financial Statements and Supplemental Schedules section (see pages 107-108). The fiduciary funds financial statements do not change (and therefore, are not redisplayed as fund financial statements).

The City reported on 24 individual governmental funds during fiscal 2013, and two additional governmental funds were reported on as component units. Information for the City's major governmental funds (General Fund and Capital Projects Fund) is presented separately in the Governmental Fund Balance Sheet (page 18) and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances (page 20). Financial information for the other 22 governmental funds is combined into a single, aggregated presentation in the form of combining statements in the Combining and Individual Fund Financial Statements and Supplemental Schedules section (beginning on page 91) of this report.

Financial Analysis of the City's Governmental Funds

For the fiscal year ended April 30, 2013, the governmental funds reflect a combined fund balance of \$9.2 million, a decrease of \$1.3 million (12.4%) from the prior fiscal year. Major changes within the individual funds are analyzed below. Of the total fund balance for all governmental funds, \$2.0 million (21.7%) is unassigned, indicating availability for continuing City services. Nonspendable and restricted fund balances include amounts for prepaid items, inventories, debt service, unexpended street maintenance programs, culture and recreation, economic development, retirement obligations, community development and capital projects.

Analysis of Balances and Transactions of Individual Funds

The fund balance of the General Fund increased insignificantly as the City continues to prudently manage its resources in light of the national economic challenges. The Capital Projects Fund declined \$1.9 million (38.0% to FY'13 balance of \$3.1 million) as the City continued to finance various capital acquisitions and infrastructure improvements as planned from bond proceeds of an earlier financing.

General Fund Budgetary Highlights

The City adopts an annual appropriated budget for the General, Band, Illinois Municipal Retirement Fund (IMRF), Special Service Area No. 2, and Special Service Area No. 3. The procedures used to control expenditures of the other governmental funds are explained further in Note 1, Budgetary Accounting on page 80. As noted above, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. A table presenting budgetary highlights for the City's General Fund is provided below.

The General Fund revenue and expenditure budgets were not amended during the fiscal year. As noted in the analysis of the General Fund in the above section, the economic slowdown again affected the City's sales tax revenues. Fortunately, the sales tax incentives had an offsetting effect with the corresponding decline in the sales tax incentives paid.

Because of the City administration's awareness of the national economic conditions, over the past three years the City reorganized its operations, laid off employees, and realized additional personnel reductions through attrition, allowing the City to adopt a break-even budget for FY '13. As a result of the reorganization and other adjustments, the City was able to adopt a FY '14 budget that includes a \$0.25 million surplus. This puts the City back on track to build its General Fund reserve balance to a more prudent amount to provide for economic contingencies.

A summary comparison of the General Fund budget to actual results can be found on page 79, and a more detailed comparison can be found on pages 88 – 90. Interfund transfers are listed in Footnote 12.

Sales tax declined from budget in FY '13 on both the revenue and expenditure side respectively by about \$ 4.0 million. Police Department expenditures were greater than budget because of increased salary costs and the City's requirement to increase the pension contribution.

Similarly, the City was awarded a federal flow-through grant for the Kankakee Area Metro Enforcement Group after the budget was adopted, so neither the revenues nor corresponding expenditures charged to the Police Department were included in the budget. City administration did not feel it was necessary to amend the original budget for these items. Other individual budget variances for the most part offset one another, and were not further analyzed in this MD&A.

Table 4: General Fund Budgetary Highlights

	Original Budget	Final Budget	Actual	Over/(Under) Final Budget
Revenues	\$ 39,461,913	\$ 39,461,913	\$ 35,564,493	\$ (3,897,420)
Expenditures	\$ 38,267,912	\$ 38,267,912	\$ 34,439,486	\$ (3,828,426)
Excess of Revenues over Expenditures	\$ 1,194,001	\$ 1,194,001	\$ 1,125,007	\$ (68,994)
Other Financing Sources (Uses)				
Transfers from other funds	\$ -	\$ -	\$ 120,000	\$ 120,000
Transfers to other funds	\$ (950,000)	\$ (950,000)	\$ (950,000)	\$ -
Net Changes in Fund Balance	\$ 244,001	\$ 244,001	\$ 295,007	\$ 51,006

CAPITAL ASSETS

The City's net investment in capital assets includes land, construction in progress, buildings and improvements, land improvements, equipment, vehicles, leasehold improvements, and infrastructure (roads, sidewalks, curbs, gutters, and bridges). The City's total combined investment in capital assets for fiscal year 2013 decreased slightly to \$114.2 million (net of accumulated depreciation).

The following table summarizes the City of Kankakee capital assets (in millions, net of depreciation) for the current and prior fiscal years:

**Table 5: Capital Asset Highlights (net of depreciation) for the fiscal years ended
April 30, 2013 and 2012 (in millions)**

	Governmental		Business-type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 5.3	\$ 5.3	\$ 2.1	\$ 2.1	\$ 7.4	\$ 7.4
Construction in progress	1.0	0.9	0.9	0.9	1.9	1.8
Buildings	12.6	12.9	6.1	6.4	18.7	19.3
Equipment	0.2	0.2	0.8	0.9	1.0	1.1
Vehicles	1.8	1.8	0.9	1.1	2.7	2.9
Land improvements	2.2	2.3			2.2	2.3
Leasehold improvements			0.2	0.2	0.2	0.2
Infrastructure	61.9	62.9	18.2	18.3	80.1	81.2
Total Capital Assets, net	<u>\$ 85.0</u>	<u>\$ 86.3</u>	<u>\$ 29.2</u>	<u>\$ 29.9</u>	<u>\$ 114.2</u>	<u>\$ 116.2</u>

Additional information on the City's capital assets can be found in Note 5 on pages 56 – 58.

LONG-TERM DEBT

At fiscal year end, the City governmental activities had an overall decrease of \$4.0 million (5.0%) in debt as the City amortized \$4.6 million in general obligation (GO) bonds and employee related costs (employer pension contributions and compensated absences) increased \$0.8 million. ESU amortized \$0.4 million yet remained the same with the total debt from FY '12 to FY '13 due to a slight increase to the KRMA line-of-credit. The ESU as the utility acted as a conduit for the KRMA \$4.3 million line-of-credit discussed previously in this report. The following table further summarizes the City's debt for the current and prior fiscal years:

**Table 6: Debt Highlights for the fiscal years ended April 30, 2013 and 2012 (in millions, as
adjusted for premiums and deferred losses)**

	Governmental		Business-type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
General obligation bonds	\$ 61.6	\$ 66.2			\$ 61.6	\$ 66.2
Revenue bonds			\$ 8.3	\$ 8.7	8.3	8.7
Line of credit			\$ 4.3	\$ 4.0	4.3	4.0
Installment notes	2.3	2.6			2.3	2.6
Unfunded employer pension contributions	14.0	13.5			14.0	13.5
Compensated absences	5.1	4.8	0.8	0.9	5.9	5.7
Net other post employment benefit obligations	0.5	0.4	0.2	0.1	0.7	0.5
Total Debt	<u>\$ 83.5</u>	<u>\$ 87.5</u>	<u>\$ 13.6</u>	<u>\$ 13.7</u>	<u>\$ 97.1</u>	<u>\$ 100.2</u>

Additional information related to the City's long-term debt can be found in Note 10.

The City, under its home rule authority, does not have a legal debt limit. The City had not had an underlying public rating for several years, but achieved a Standard and Poor's rating of A beginning in 2006. The City continued to receive an A rating from Standard and Poor's on the bonds issued this fiscal year. The City anticipates issuing additional bonds in the near future.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City continued to face the reality of the national economic slowdown as it started to develop its General Fund budget for FY '14, and used a combination of attrition and restructuring as the primary steps to balance the FY '13 budget. The City faces on going contractual wage increases, increases in employer contributions for pensions, increases in medical insurance and increases in other operating costs for the foreseeable future in this new era of what appears to be continued municipal revenue shrinkage.

ESU increased its rates for sewer services beginning May 1, 2013 by 18.8% to a rate of \$4.75/100 cubic feet of water used, and will again on May 1, 2014 by 10.5% to a rate of \$5.25/100 cubic feet of water used. The sewer rate increases will help offset some of the cost increases that ESU has realized as the regional sewer treatment facility passes on its increased costs of operations. The Solid Waste Utility maintained a monthly rate of \$29.50 for residential waste collection that was established September 2011.

The solid waste collection fee increases have been beneficial in offsetting some of the General Fund costs the City incurred in collecting and disposing of solid waste. These rate increases facilitated the transfer of responsibility for the Public Works Department to the utilities. The General Fund had absorbed most of the costs incurred to provide solid waste disposal services over the years, but given current economic conditions, determined that it could no longer maintain that practice.

The unemployment rates (not seasonally adjusted) for the City and the County for June 2013 was 13.9% and 10.9%, respectively, compared to the 14.5% and 11.2% rate for 2012. The local economy continues to reflect the national economic conditions. The City continues to monitor its General Fund finances on a monthly basis to determine when it might need to implement additional strategies to respond to the challenges created by the realities of the national economic slowdown.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our Mayor, legislators, managers, citizens, customers, investors, and creditors with a general overview of the City's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to Elizabeth D. Kubal, Comptroller, City of Kankakee, 304 South Indiana Avenue, Kankakee, Illinois 60901.

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BASIC FINANCIAL STATEMENTS

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF NET POSITION
April 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and investments	\$ 8,317,828	\$ 213,393	\$ 8,531,221	\$ 698,669
Restricted cash and investments		1,993,063	1,993,063	
Receivables, less allowance for uncollectible amounts:				
Property taxes	15,198,448		15,198,448	1,817,670
Utility taxes	512,730		512,730	
Due from joint ventures		4,100,000	4,100,000	
Due from other governmental agencies	7,177,074	32,774	7,209,848	
Internal balances	(206,092)	206,092	-0-	
Due from primary government				108,145
Due from component units	74,232		74,232	
Accounts receivable	997,167	1,683,484	2,680,651	
Special assessments	1,713,500		1,713,500	
Materials inventory	3,115	32,254	35,369	
Prepaid items	369,186	163,432	532,618	
Capital assets:				
Non-depreciable	6,314,840	2,973,231	9,288,071	
Depreciable (net of accumulated depreciation)	78,697,085	26,226,017	104,923,102	7,336,317
Investment in joint venture		(519,534)	(519,534)	
Total assets	119,169,113	37,104,206	156,273,319	9,960,801
Deferred Outflows of Resources				
Deferred charge on refunding loss	615,598	115,039	730,637	-0-
Liabilities				
Accounts payable	6,621,197	681,305	7,302,502	27,596
Accrued wages payable	530,671	218,058	748,729	
Interest payable	801,298		801,298	
Due to primary government				74,232
Due to component units	108,145		108,145	
Long-term liabilities:				
Due within one year	6,865,900	807,000	7,672,900	120,533
Due within more than one year	76,650,953	12,814,869	89,465,822	2,607,863
Total liabilities	91,578,164	14,521,232	106,099,396	2,830,224
Deferred Inflows of Resources				
Unearned property tax revenue	15,198,448		15,198,448	1,817,670
Unearned special assessments	1,713,500		1,713,500	
Deferred grant revenue	51,611		51,611	2,084
Deferred licenses and fees	124,736		124,736	
Total deferred inflows of resources	17,088,295	-0-	17,088,295	1,819,754
Net Position				
Net investment in capital assets	49,070,512	20,894,317	69,964,829	4,607,921
Restricted for:				
Capital projects	3,081,788		3,081,788	
Debt service	423,208	1,720,679	2,143,887	
Economic development	1,345,886		1,345,886	
Street maintenance programs	1,418,250		1,418,250	
Unrestricted	(44,221,392)	83,017	(44,138,375)	702,902
Total net position	\$ 11,118,252	\$ 22,698,013	\$ 33,816,265	\$ 5,310,823

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF ACTIVITIES
For the year ended April 30, 2013

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
<u>Governmental Activities</u>				
General government	\$ 7,831,951	\$ 1,412,234		
Public safety	17,100,514	585,747	\$ 598,456	\$ 199,362
Highways and streets	2,601,124		775,112	74,309
Community development	1,861,628	100,000	1,861,529	
Culture and recreation	16,000			
Economic development	12,906,040			
Interest and fiscal charges	2,620,675			
Total governmental activities	<u>44,937,932</u>	<u>2,097,981</u>	<u>3,235,097</u>	<u>273,671</u>
<u>Business-Type Activities</u>				
Sewer utility	10,340,280	9,370,109		
Solid waste utility	4,273,642	3,277,761		
Vehicle parking	1,150	8,900		
Total business-type activities	<u>14,615,072</u>	<u>12,656,770</u>	<u>-0-</u>	<u>-0-</u>
Total primary government	<u>\$ 59,553,004</u>	<u>\$ 14,754,751</u>	<u>\$ 3,235,097</u>	<u>\$ 273,671</u>
Component units:				
Library	\$ 1,854,598	\$ 91,821	\$ 45,204	
Special Service Area No. 1	268,059			
Total component units	<u>\$ 2,122,657</u>	<u>\$ 91,821</u>	<u>\$ 45,204</u>	<u>\$ -0-</u>

General Revenues:

Property taxes levied for general purposes
Special assessments
Utility taxes
Intergovernmental, not restricted to specific programs:
 State replacement income tax
 State income tax
 Local use tax
 State sales tax
 Other
Investment income
Other

Total

Transfers

Changes in net position

Net position, May 1, 2012

Prior period adjustment

Net position, May 1, 2012, restated

Net position, April 30, 2013

Net (Expense) Revenue and
Change in Net Position

Primary Government

Governmental Activities	Business-Type Activities	Total	Component Units
\$ (6,419,717)		\$ (6,419,717)	
(15,716,949)		(15,716,949)	
(1,751,703)		(1,751,703)	
99,901		99,901	
(16,000)		(16,000)	
(12,906,040)		(12,906,040)	
(2,620,675)		(2,620,675)	
<u>(39,331,183)</u>		<u>(39,331,183)</u>	
	\$ (970,171)	(970,171)	
	(995,881)	(995,881)	
	7,750	7,750	
<u>-0-</u>	<u>(1,958,302)</u>	<u>(1,958,302)</u>	
<u>(39,331,183)</u>	<u>(1,958,302)</u>	<u>(41,289,485)</u>	
			\$ (1,717,573)
			<u>(268,059)</u>
			<u>(1,985,632)</u>
13,878,101		13,878,101	1,764,591
6,062		6,062	
4,072,779		4,072,779	
681,707		681,707	
2,481,649		2,481,649	
442,266		442,266	
18,584,185		18,584,185	
50,000		50,000	
46,595		46,595	2,305
451,820	73,690	525,510	146,804
<u>40,695,164</u>	<u>73,690</u>	<u>40,768,854</u>	<u>1,913,700</u>
112,588	(112,588)	-0-	
<u>1,476,569</u>	<u>(1,997,200)</u>	<u>(520,631)</u>	<u>(71,932)</u>
10,303,609	25,045,326	35,348,935	5,382,755
(661,926)	(350,113)	(1,012,039)	
<u>9,641,683</u>	<u>24,695,213</u>	<u>34,336,896</u>	<u>5,382,755</u>
<u>\$ 11,118,252</u>	<u>\$ 22,698,013</u>	<u>\$ 33,816,265</u>	<u>\$ 5,310,823</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2013

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 1,443,536	\$ 2,954,659	\$ 3,919,633	\$ 8,317,828
Receivables, less allowance for uncollectible amounts:				
Property taxes	6,632,200		8,566,248	15,198,448
Utility taxes	512,730			512,730
Due from other governmental agencies	6,890,388		286,686	7,177,074
Due from other funds	433,395	171,344	505,511	1,110,250
Due from component units	64,291		9,941	74,232
Accounts receivable	457,808		539,359	997,167
Special assessments		1,713,500		1,713,500
Materials inventory	3,115			3,115
Prepaid items	369,186			369,186
Total assets	\$ 16,806,649	\$ 4,839,503	\$ 13,827,378	\$ 35,473,530
Liabilities				
Accounts payable	\$ 6,515,620	\$ 42,581	\$ 62,996	\$ 6,621,197
Accrued wages payable	499,639		31,032	530,671
Due to other funds	220,477	1,634	1,094,231	1,316,342
Due to component units			108,145	108,145
Total liabilities	7,235,736	44,215	1,296,404	8,576,355
Deferred Inflows of Resources				
Unavailable loan receivable			\$ 537,705	\$ 537,705
Unavailable franchise fees	\$ 21,703			21,703
Unavailable property tax revenue	6,632,200		8,566,248	15,198,448
Unavailable special assessments		1,713,500		1,713,500
Deferred grant revenue	51,611			51,611
Deferred licenses and fees	124,736			124,736
Total deferred inflows of resources	6,830,250	1,713,500	9,103,953	17,647,703
Fund Balance				
Nonspendable	372,301			372,301
Restricted for:				
Debt service			423,208	423,208
Street maintenance programs			1,418,250	1,418,250
Economic development			1,345,886	1,345,886
Culture and recreation			19,077	19,077
Retirement obligations			475,718	475,718
Community development			151,303	151,303
Capital projects		3,081,788		3,081,788
Unassigned (deficit)	2,368,362		(406,421)	1,961,941
Total fund balance	2,740,663	3,081,788	3,427,021	9,249,472
Total liabilities, deferred inflows of resources and fund balance	\$ 16,806,649	\$ 4,839,503	\$ 13,827,378	\$ 35,473,530

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
April 30, 2013

Amounts reported for governmental activities in the
statement of net position are different because of the following:

Total fund balance - governmental funds		\$ 9,249,472
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		85,011,925
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. All liabilities--both current and long-term--are reported in the statement of net position.		
Bonds payable	\$ (61,621,352)	
Installment notes	(2,286,919)	
Unfunded employer pension contributions	(13,963,568)	
Compensated absences	(5,119,500)	
Net other post-employment benefit obligations	(525,514)	
Total long-term liabilities (See Note 10)		(83,516,853)
Deferred charge on bond refunding loss not recorded in funds		615,598
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
Interest payable		(801,298)
Certain long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		
Loan receivable	537,705	
Franchise fee receivable	21,703	
		559,408
Net position of governmental activities		<u>\$ 11,118,252</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the year ended April 30, 2013

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 6,116,420		\$ 7,761,681	\$ 13,878,101
Special assessments			6,062	6,062
Utility taxes	4,072,779			4,072,779
Licenses, permits and fees	1,627,166			1,627,166
Charges for services	202,515			202,515
Fines and penalties	268,300			268,300
Intergovernmental	22,834,791	\$ 199,362	2,710,950	25,745,103
Interest income	396		46,199	46,595
Miscellaneous	442,126		12,813	454,939
Total revenues	<u>35,564,493</u>	<u>199,362</u>	<u>10,537,705</u>	<u>46,301,560</u>
Expenditures:				
Current:				
General government	5,036,049	821,019	822,927	6,679,995
Public safety	16,720,832	278,339		16,999,171
Highways and streets		1,158,655	560,717	1,719,372
Community development	2,262		1,855,275	1,857,537
Culture and recreation			16,000	16,000
Economic development	12,670,343		235,697	12,906,040
Debt service:				
Principal retirement	10,000		4,889,698	4,899,698
Interest and fiscal charges			2,779,676	2,779,676
Total expenditures	<u>34,439,486</u>	<u>2,258,013</u>	<u>11,159,990</u>	<u>47,857,489</u>
Excess (deficiency) of revenues over expenditures	<u>1,125,007</u>	<u>(2,058,651)</u>	<u>(622,285)</u>	<u>(1,555,929)</u>
Other financing sources (uses):				
Issuance of refunding bonds			7,705,000	7,705,000
Premium on issuance of refunding bonds			156,663	156,663
Payment to refunded debt escrow			(7,716,454)	(7,716,454)
Transfers from other funds	120,000	136,668	2,736,175	2,992,843
Transfers to other funds	(950,000)	(5,352)	(1,924,903)	(2,880,255)
Total other financing sources (uses)	<u>(830,000)</u>	<u>131,316</u>	<u>956,481</u>	<u>257,797</u>
Net change in fund balance	<u>295,007</u>	<u>(1,927,335)</u>	<u>334,196</u>	<u>(1,298,132)</u>
Fund balance, May 1, 2012	1,805,699	5,009,123	3,092,825	9,907,647
Prior period adjustment	639,957			639,957
Fund balance, May 1, 2012, restated	<u>2,445,656</u>	<u>5,009,123</u>	<u>3,092,825</u>	<u>10,547,604</u>
Fund balance, April 30, 2013	<u>\$ 2,740,663</u>	<u>\$ 3,081,788</u>	<u>\$ 3,427,021</u>	<u>\$ 9,249,472</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
For the year ended April 30, 2013

Amounts reported for governmental activities on the statement of activities are different because of the following:

Net change in fund balance - total governmental funds	\$ (1,298,132)
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Governmental funds report capital outlays as expenditures. However, on the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. Proceeds from disposal of capital assets are reported as other financing sources in the governmental funds, but as a reduction of capital assets and recognition of gains and losses at the government-wide level.

Expenditure for capital assets	494,785
Loss on disposal of capital assets	(12,657)
Depreciation	(1,743,095)

Repayments of principal from current financial resources is an expenditure in the governmental funds, but are a reduction of long-term liabilities on the statement of net position.

Principal payments on bonds payable	4,595,000
Principal payments on long-term notes payable	304,698
Payment to refunding debt escrow from bond proceeds	7,716,454

Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Amortized bond premium	264,428
Amortized deferred loss	(181,827)
Change in accrued interest on long-term debts	76,400
Net change in compensated absences payable	(279,500)
Unfunded pension cost	(435,003)
Change in net other post-employment benefit obligations payable	(163,515)

Proceeds from issuance of long-term debt obligations are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of net position. Premiums related to these long-term debt obligations also are reported as other financing sources in the governmental funds, but they increase liabilities on the statement of net position.

Proceeds from refunding bonds issued	(7,705,000)
Premium on issuance of bonds	(156,663)

Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Franchise fee - long term receivable	352
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Collections on long-term loans receivable are reported as revenues in the governmental funds, but reduce the assets in the statement of net position.

(156)

Change in net position of governmental activities

\$ 1,476,569

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
April 30, 2013

	Enterprise Funds		Total
	Kankakee Environmental Services Utility	Nonmajor Motor Vehicle Parking	
Assets			
Current assets:			
Cash and investments	\$ 80,965	\$ 132,428	\$ 213,393
Restricted cash and investments	272,384		272,384
Receivables, less allowance for uncollectible amounts:			
Due from joint venture	4,100,000		4,100,000
Due from other funds	482,095		482,095
Due from other governments	32,774		32,774
Accounts receivable	1,683,484		1,683,484
Inventory	32,254		32,254
Prepaid items	163,432		163,432
Total current assets	6,847,388	132,428	6,979,816
Non-current assets:			
Restricted cash and investments	1,720,679		1,720,679
Capital assets:			
Non-depreciable	1,529,423	1,443,808	2,973,231
Depreciable (net of accumulated depreciation)	26,226,017		26,226,017
Investment in joint venture	(519,534)		(519,534)
Total non-current assets	28,956,585	1,443,808	30,400,393
Total assets	35,803,973	1,576,236	37,380,209
Deferred Outflows of Resources			
Deferred charge on refunding loss	115,039	-0-	115,039
Liabilities			
Current liabilities:			
Accounts payable	681,305		681,305
Accrued wages payable	218,058		218,058
Due to other funds	276,003		276,003
Accrued employee absences	342,000		342,000
Revenue bonds payable within one year	465,000		465,000
Total current liabilities	1,982,366	-0-	1,982,366
Non-current liabilities:			
Accrued employee absences	432,300		432,300
Net other post-employment benefit obligations	192,637		192,637
Note payable	4,350,000		4,350,000
Revenue bonds payable, less portion due within one year	7,839,932		7,839,932
Total non-current liabilities	12,814,869	-0-	12,814,869
Total liabilities	14,797,235	-0-	14,797,235
Net Position			
Net investment in capital assets	19,450,509	1,443,808	20,894,317
Restricted for debt service	1,720,679		1,720,679
Unrestricted	(49,411)	132,428	83,017
Total net position	\$ 21,121,777	\$ 1,576,236	\$ 22,698,013

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the year ended April 30, 2013

	Enterprise Funds		
	Kankakee Environmental Services Utility	Nonmajor Motor Vehicle Parking	Total
Operating revenues:			
Charges for services:			
Sewer charges	\$ 9,293,626		\$ 9,293,626
Solid waste charges	2,644,010		2,644,010
Public works revenue	504,971		504,971
Fuel system maintenance revenue	4,057		4,057
Intergovernmental	108,719		108,719
Parking revenues		\$ 8,900	8,900
Miscellaneous charges	92,487		92,487
Total operating revenues	12,647,870	8,900	12,656,770
Operating expenses:			
Utility operations:			
Sewer utility:			
Administration	2,480,990		2,480,990
Sanitary sewers	680,633		680,633
Lab and industrial services	478,346		478,346
Technical services	571,818		571,818
Total sewer utility	4,211,787	-0-	4,211,787
Solid waste utility:			
Solid waste	3,073,485		3,073,485
Public works	1,109,964		1,109,964
Total solid waste utility	4,183,449	-0-	4,183,449
Total utility operations	8,395,236	-0-	8,395,236
Building maintenance	278,661		278,661
Treatment charges	4,162,595		4,162,595
Parking administration		1,150	1,150
Depreciation	1,301,813		1,301,813
Total operating expenses	14,138,305	1,150	14,139,455
Operating income (loss)	(1,490,435)	7,750	(1,482,685)

(Continued)

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
(Continued)

For the year ended April 30, 2013

	Enterprise Funds		
	Kankakee	Nonmajor	
	Environmental	Motor Vehicle	
	Services	Parking	
	Utility		Total
Nonoperating revenues (expenses):			
Equity interest in joint venture operating income	\$ (46,246)		\$ (46,246)
Bond interest rebates	73,690		73,690
Interest and debt-related expenses	(429,371)		(429,371)
Total nonoperating revenues (expenses)	(401,927)	\$ -0-	(401,927)
Income (loss) before transfers	(1,892,362)	7,750	(1,884,612)
Transfers in	950,000		950,000
Transfers out	(1,062,588)		(1,062,588)
Total transfers	(112,588)	-0-	(112,588)
Change in net position	(2,004,950)	7,750	(1,997,200)
Net position, May 1, 2012	23,476,840	1,568,486	25,045,326
Prior period adjustment	(350,113)		(350,113)
Net position, May 1, 2012, restated	23,126,727	1,568,486	24,695,213
Net position, April 30, 2013	\$ 21,121,777	\$ 1,576,236	\$ 22,698,013

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended April 30, 2013

	Enterprise Funds		
	Kankakee		
	Environmental	Nonmajor	
	Services	Motor Vehicle	
	Utility	Parking	Total
Cash flows provided (used) by operating activities:			
Receipts from customers and users	\$ 12,251,622	\$ 8,900	\$ 12,260,522
Payments to other funds	(16,371)		(16,371)
Payments to suppliers	(9,198,218)	(1,150)	(9,199,368)
Payments to employees	(3,466,062)		(3,466,062)
Net cash provided (used) by operating activities	(429,029)	7,750	(421,279)
Cash flows provided (used) by noncapital financing activities:			
Issuance of notes payable	600,000		600,000
Payment on notes payable	(250,000)		(250,000)
Noncapital transfers to other funds	(1,062,588)		(1,062,588)
Noncapital transfers from other funds	950,000		950,000
Net cash provided (used) by noncapital financing activities	237,412	-0-	237,412
Cash flows provided (used) by capital and related financing activities:			
Purchase of property and equipment	(380,209)		(380,209)
Additions to construction in progress	(244,971)		(244,971)
Repayment of revenue bonds	(450,000)		(450,000)
Interest and fiscal charges	(420,195)		(420,195)
Bond interest rebates received	73,690		73,690
Net cash provided (used) by capital and related financing activities	(1,421,685)	-0-	(1,421,685)
Cash flows provided (used) by investing activities:			
Repayments of loans to joint venture	500,000		500,000
Loans to joint venture	(600,000)		(600,000)
Net cash provided (used) by investing activities:	(100,000)	-0-	(100,000)
Net change in cash and cash equivalents	(1,713,302)	7,750	(1,705,552)
Cash and cash equivalents, May 1, 2012	3,787,330	124,678	3,912,008
Cash and cash equivalents, April 30, 2013	<u>\$ 2,074,028</u>	<u>\$ 132,428</u>	<u>\$ 2,206,456</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Continued)
For the year ended April 30, 2013

	Enterprise Funds		
	Kankakee Environmental Services Utility	Nonmajor Motor Vehicle Parking	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (1,490,435)	\$ 7,750	\$ (1,482,685)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	1,301,813		1,301,813
(Increase) decrease in operating assets:			
Accounts receivable	(138,787)		(138,787)
Due from other funds	(260,056)		(260,056)
Due from other governmental agencies	(2,405)		(2,405)
Inventory	9,287		9,287
Prepaid insurance and service fees	(6,684)		(6,684)
Increase (decrease) in operating liabilities:			
Accounts payable	123,061		123,061
Accrued wages payable	71,297		71,297
Accrued compensated absences	(77,200)		(77,200)
Due to other funds	(16,371)		(16,371)
Net other post-employment benefit obligations	57,451		57,451
Net cash provided (used) by operating activities	<u>\$ (429,029)</u>	<u>\$ 7,750</u>	<u>\$ (421,279)</u>
Noncash transactions related to financing, capital and investing activities:			
Amortization of early debt retirement deferred loss	<u>\$ 8,217</u>	<u>\$ -0-</u>	<u>\$ 8,217</u>
Construction projects capitalized	<u>\$ 210,296</u>	<u>\$ -0-</u>	<u>\$ 210,296</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
April 30, 2013

Assets

Cash and short-term investments	\$ 2,950,250
Receivables, less allowance for uncollectible amounts:	
Employee contributions	56,850
Interest	75,307
Investments, at fair value:	
Open-end mutual funds	7,297,646
Corporate securities	4,005,834
U.S. treasury and agency securities	7,285,252
Corporate bonds	3,406,180
State and local obligations	456,607
Prepaid items	<u>8,919</u>
Total assets	25,542,845

Liabilities

Benefits and other payables	<u>401,994</u>
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Net Position

Net position held in trust for pension benefits	<u><u>\$25,140,851</u></u>
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See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
For the year ended April 30, 2013

Additions:	
Contributions:	
Employer	\$ 4,300,142
Employee	<u>866,308</u>
Total contributions	<u>5,166,450</u>
Investment income (loss):	
Net change in fair value of investments	1,259,520
Interest and dividends	<u>625,167</u>
	1,884,687
Less: investment expense	<u>(151,239)</u>
Net investment income	<u>1,733,448</u>
Total additions	<u>6,899,898</u>
Deductions:	
Benefits	4,739,840
Administrative expenses	<u>58,761</u>
Total deductions	<u>4,798,601</u>
Change in net position-restricted for pension benefits	2,101,297
Net position held in trust for pension benefits	
May 1, 2012	<u>23,039,554</u>
April 30, 2013	<u><u>\$ 25,140,851</u></u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
April 30, 2013

	Kankakee Public Library	Special Service Area No. 1	Totals
Assets			
Cash and investments	\$ 618,697	\$ 79,972	\$ 698,669
Receivables, less allowance for uncollectible amounts:			
Property taxes	1,691,870	125,800	1,817,670
Due from primary government		108,145	108,145
Capital assets:			
Depreciable (net of accumulated depreciation)	6,516,163	820,154	7,336,317
Total assets	8,826,730	1,134,071	9,960,801
Liabilities			
Accounts payable	21,364	6,232	27,596
Due to primary government	74,232		74,232
Long-term liabilities:			
Due within one year	120,533		120,533
Due within more than one year	2,607,863		2,607,863
Total liabilities	2,823,992	6,232	2,830,224
Deferred Inflows of Resources			
Unavailable property tax revenue	1,691,870	125,800	1,817,670
Deferred grant revenue	2,084		2,084
Total deferred inflows of resources	1,693,954	125,800	1,819,754
Net Position			
Net investment in capital assets	3,787,767	820,154	4,607,921
Unrestricted	521,017	181,885	702,902
Total net position	\$ 4,308,784	\$ 1,002,039	\$ 5,310,823

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the year ended April 30, 2013

		Program Revenues	
	Expenses	Charges for Services	Operating Grants
Kankakee Public Library:			
Culture and recreation	\$ 1,715,049	\$ 91,821	\$ 45,204
Interest and fiscal charges	139,549		
Special Service Area No. 1:			
General government	268,059		
Total	<u>\$ 2,122,657</u>	<u>\$ 91,821</u>	<u>\$ 45,204</u>

General Revenues:

Property taxes levied for general purposes

Interest

Other

Total

Changes in net position

Net position, May 1, 2012

Net position, April 30, 2013

Net (Expense) Revenue and
Change in Net Position

<u>Kankakee Public Library</u>	<u>Special Service Area No. 1</u>	<u>Total</u>
\$ (1,578,024)		\$ (1,578,024)
(139,549)		(139,549)
	\$ (268,059)	(268,059)
<u>(1,717,573)</u>	<u>(268,059)</u>	<u>(1,985,632)</u>
1,644,906	119,685	1,764,591
1,989	316	2,305
<u>130,925</u>	<u>15,879</u>	<u>146,804</u>
<u>1,777,820</u>	<u>135,880</u>	<u>1,913,700</u>
60,247	(132,179)	(71,932)
<u>4,248,537</u>	<u>1,134,218</u>	<u>5,382,755</u>
<u>\$ 4,308,784</u>	<u>\$ 1,002,039</u>	<u>\$ 5,310,823</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Kankakee, Illinois (City), is a home rule unit under the 1970 Constitution of Illinois, Article VII. The City was incorporated in 1865 and operates under an elected Mayor/Council form of government. The City Council is comprised of the Mayor and fourteen council members. The City's major operations include public safety (police, fire, code enforcement and animal control), public works, highways and streets, community development, culture and recreation, economic development, sewer and solid waste utility, and general administrative services. The following significant accounting policies apply to the City and its component units.

A. Reporting Entity

The City follows accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board (GASB). The financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

1. Appointment of a voting majority of the component unit's board, and either (a) the ability to impose its will by the primary government, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
2. Fiscal dependency on the primary government.

The accompanying financial statements present the City of Kankakee, Illinois (the primary government) and its component units. The financial data of the component units is included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Blended Component Unit - A blended component unit is a legally separate entity from the City, but is so intertwined with the City that it is, in substance, the same as the City. For financial reporting purposes, the following component units are reported as if they were part of the City's operations.

1. **Kankakee Environmental Services Utility (Utility)** - The Utility is governed by a board which is comprised mainly of City Council members. As stated in the Utility bylaws, one City Council member from each ward is required to serve on the Utility Board. The Utility accounts for the operation of the sewer and solid waste systems, including the public works services which benefit the citizens of the City.
2. **Community Development Agency** - The Community Development Agency is governed by the City Council. Its major sources of revenue are intergovernmental grants that are used to benefit the citizens of the City.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Discretely Presented Component Unit - A discretely presented component unit is an entity that is legally separate from the City, but for which the City is financially accountable, or whose relationship with the City is such that exclusion would cause the City's basic financial statements to be misleading or incomplete. The following discretely presented component units are reported in a separate column to emphasize that they are legally separate from the City.

1. **Kankakee Public Library (Library)** - The Library is governed by a board appointed by the City Council. The majority of the Library's revenues are from a property tax levy approved by the Council. The City has also assumed the obligation to finance the Library's deficits.
2. **Special Service Area No. 1 (SSA No. 1)** - SSA No. 1 promotes and develops downtown Kankakee. Its major source of revenues is from a property tax levy approved by the City Council.

Separately audited financial statements for the component units are not available. Combining financial statements for the discretely presented component units are presented after the basic financial statements and prior to the notes to the financial statements.

B. Basis of Presentation

Government-wide Financial Statements - The government-wide statement of net position and statement of activities report the overall financial activities of the City and its component units, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the City. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Additionally, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect expenses for centralized functions are included in the direct expenses. Program revenues include 1) fines, fees, and charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fund Financial Statements - The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

General Fund - This fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund - This fund accounts for the resources used for capital acquisition and other major capital improvement projects including streets, sidewalks and community development projects.

The City reports the following major proprietary funds:

Kankakee Environmental Services Utility - This fund accounts for the provision of sewer services to the residents of the City and operation of the City's waste collection and disposal services. All activities necessary to provide such services are accounted for in this fund, including administration, operations, financing, public works, billing and collection. Activities are funded with user fees.

Additionally, the City reports the following fiduciary fund type:

Pension Trust Funds - These funds account for the accumulation of retirement and disability benefits for police and firefighters' pension plans.

C. Measurement Focus and Basis of Accounting:

Government-wide, Proprietary and Fiduciary Fund Financial Statements - The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City receives value without directly giving equal value in exchange, include property tax revenue, grants, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. For example, the 2011 levy is recognized as revenue for the year ended April 30, 2013.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Revenues from grants and other contributions are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from exchange transactions associated with a proprietary fund's principal ongoing activities. Exchange transactions are those in which each party receives and gives up essentially equal values. The principal operating revenues of the City's enterprise funds come from charges to customers for sales and services which include sewer and solid waste charges, utility fees and parking fees. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Pension trust funds recognize employer and participant contributions in the period in which contributions are due and the City has made a formal commitment to provide the contributions. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Governmental Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues, except for property taxes and income tax, to be available if they are collected within 90 days of the end of the current fiscal period. Revenues for property taxes are considered to be available if they are collected within 60 days of the end of the current fiscal year for the year intended to finance. Revenues for the income tax are considered to be available if they are collected within 120 to 150 days of the end of the current fiscal year due to further delay in receipt from the State. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt and claims and judgments are recorded only when payment is due. Compensated absences are recorded only when retirement or separation has occurred. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, income taxes, utility taxes, intergovernmental revenues, franchise taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Licenses and permits, fines and forfeitures, charges for sales and services (other than utility) and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

The City reports unavailable/unearned revenue on its financial statements. Unavailable/unearned revenues arise when a potential revenue does not meet both the measurable and available or earned criteria for recognition in the current period. Unavailable/unearned revenues also arise when the resources are received by the City before it has a legal claim to them or prior to the provision of services. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability or deferred inflow is removed from the financial statements and revenue is recognized.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as deferred inflow of resources until earned.

D. Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. The value of open-end mutual funds are determined by the pool's share price. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds related to the retirement systems not listed on an established market are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities. Cash deposits are reported at carrying amount which reasonably estimates fair value. All external investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

E. Interfund Transactions

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" for the current portion of interfund loans or "advances to/from other funds" for the non-current portion of interfund loans. All other outstanding balances between funds are reported as "due to/from other funds." Interfund balances between governmental funds and between proprietary funds are not included in the government-wide statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". Advances between funds are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not expendable available financial resources.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The City has the following types of interfund transactions:

Loans - Amounts provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e., due from other funds) in lender funds and interfund payables (i.e., due to other funds) in borrower funds in the fund balance sheets or fund statements of net position.

Services Provided and Used - Sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net position.

Reimbursements - Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers - Flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

F. Inventory and Prepaid Items

Inventory, such as fuel and office supplies, is accounted for using the consumption method and is valued at an average weighted cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Inventory and prepaids reported in the governmental funds are not available for appropriation and therefore result in nonspendable fund balance.

G. Restricted Assets - Enterprise Funds

Certain cash and investments in the Kankakee Environmental Services Utility are restricted in accordance with the ordinances authorizing the issuance of the revenue bonds. These assets are reflected as restricted cash and investments and restrictions of financial position.

H. Long-Term Debt, Bond Premiums, Discounts, and Bond Issue Costs

In the government-wide and proprietary fund financial statements, outstanding debts are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs are expensed in the period incurred.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

In the fund financial statements, government fund types recognize bond premiums and discounts, as well as bond issue costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs whether or not withheld from the actual debt proceeds received, are reported as expenditures in the period incurred.

I. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (roads, bridges, drainage systems, traffic controls, etc.) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

Minimum capitalization costs are as follows:

Land	\$ 25,000
Machinery, equipment and vehicles	5,000
Buildings, land improvements, leasehold improvements	100,000
Infrastructure assets	250,000

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized, whereas improvements extending the useful lives of the related capital assets are capitalized.

Capital assets of the City and its component units are depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings, major plant and sewerage equipment	20 - 75
Machinery, equipment and vehicles	5 - 20
Improvements	7 - 40
Infrastructure	25 - 100

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

J. Net Position

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

Net Investment in Capital Assets - This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, plus any material unspent bond proceeds.

Restricted - This consists of net position that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the City's practice to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted - This consists of net position that do not meet the definition of "restricted" or "net investment in capital assets."

K. Compensated Absences

City employees are entitled to certain compensated absences based on their length of employment. With minor exceptions, compensated absences either vest or accumulate and are accrued when they are earned.

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

L. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments, including cash in excess of daily requirements that is invested in marketable securities, substantially all of which have a maturity of three months or less when acquired.

M. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

N. Fund Equity - Fund Financial Statements

Fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balance is reported for amounts that are either not in a spendable form or legally or contractually required to be maintained intact. Restrictions in fund balance are reported for amounts constrained by legal restrictions from outside entities. Committed fund balance is constrained by an ordinance of the City Council, which is considered the City's highest level of decision making authority. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Assigned fund balance represents amounts constrained by the City's intent to use them for a specific purpose but do not meet the criteria to be classified as committed. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. Any residual fund balance of the General Fund and any deficits in other funds, if any, are reported as unassigned.

The City's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending, the City considers committed funds to be expended first, followed by assigned and then unassigned.

O. Investment in Joint Venture

The Kankakee Environmental Services Utility has two investments in joint ventures which are reported on the equity method of accounting.

P. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has multiple types of these items, which qualify for reporting in this category, including grant, license and fee revenue received in advance of meeting the time requirements as well as property taxes and special assessment revenue received or reported

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

as a receivable prior to the period for which it was levied. These amounts are deferred and recognized as an inflow of resources in the period that the amounts are intended to finance on both the government-wide statement of net position and the governmental fund balance sheet. The City also has one that arises only under a modified accrual basis of accounting that also qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental fund report unavailable revenues from two sources: franchise fees and loan receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Q. New Accounting Pronouncements

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: (1) Financial Accounting Standards Board (FASB) Statements and Interpretations; (2) Accounting Principles Board Opinions; and (3) Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This Statement is effective for the District's fiscal year ended April 30, 2013 and has been implemented with limited effect on the financial statements.

In June 2011, the GASB issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). This Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets. This Statement is effective for the District's fiscal year ended April 30, 2013 and has been implemented within these financial statements.

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as limiting the use of the term *deferred* in financial statement presentations. The provisions of this Statement are effective for the District's fiscal year ended April 30, 2014, with earlier application being encouraged. The Statement has been implemented within these financial statements.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 2 - DEPOSITS AND INVESTMENTS:

Investing is performed in accordance with investment policies complying with state statutes (as outlined in the Illinois Public Funds Act of 1943) and City charter. These statutes and the City charter authorize the City to invest in direct and general obligations of the United States of America, obligations issued or guaranteed by instrumentalities or agencies of the United States of America, direct and general obligations of any state, interest-bearing demand or time deposits or interest in money market portfolios issued by state banks or trust companies or national banking associations or savings and loan associations that are continuously and fully insured, shares of a diversified open-end management investment company, state pooled investment funds, or repurchase agreements of government securities through banks or trust companies. Police and Fire pension investments are governed by the Illinois Pension Code which authorize, in addition to the above investments, investments in common stock, mutual funds and life insurance company contracts. The City's Police and Firefighters' Pension funds, under the direction of their respective Boards of Trustees, contractually delegate investment oversight to investment managers.

The City maintains a cash and investment pool that is available for use by the General Fund, Capital Projects Fund, and all special revenue funds (except the Motor Fuel Tax Fund and the Community Development Agency). In addition, non-pooled cash and investments are separately held by several of the City's funds including component units. The deposits and investments of the pension trust funds are held separately from those of the other City funds.

Deposits:

The City, component units and pension trust funds' investment policies require all uninsured deposits with financial institutions to be fully collateralized with the collateral held by an independent third party acting as the City's agent and held in the name of the City, component units and pension trust funds, respectively.

At April 30, 2013, the carrying amount of the City's deposits for governmental and business-type activities was \$4,163,928 and the bank balance was \$4,270,434. The entire bank balance was covered through federal depository insurance or by collateral held by the City or its agent, in the City's name.

At April 30, 2013, the carrying amount of deposits of fiduciary activities was \$944,907 and the bank balance was \$945,789 of which \$217,369 was uninsured and uncollateralized. This portion of the bank balance that is uninsured and uncollateralized is a violation of the City's investment policy.

At April 30, 2013, the carrying amount of deposits of the City's component units was \$698,669 and the bank balance was \$823,423 of which \$386,368 was uninsured and uncollateralized. This portion of the bank balance that is uninsured and uncollateralized is a violation of the City's investment policy.

Investments:

The following table presents the investments and investment maturities of the City and its component units as of April 30, 2013. Categorized investments are insured or registered for which the securities are held by the City or its agent in the City's name. Uncategorized investments are not subject to categorization because they are not securities. The relationship between the City and the investment agent is a direct contractual relationship.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Governmental and business-type activities:					
Uncategorized investments:					
Illinois Funds	\$ 2,391,677	\$ 2,391,677			
Treasury Management Investment Fund	3,826,584	3,826,584			
Illinois Metropolitan Investment Fund (IMET)	<u>142,095</u>	<u>142,095</u>			
	<u>6,360,356</u>	<u>6,360,356</u>	\$ -0-	\$ -0-	\$ -0-
Fiduciary activities:					
Categorized investments:					
U.S. Treasury obligation	4,770,487	719,599	1,857,010	1,570,385	623,493
U.S. Government agencies	2,514,765	75,683	1,338,876	264,737	835,469
State and local obligation	456,607		55,077	101,265	300,265
Uncategorized investments:					
Illinois Funds	59	59			
Corporate bonds	3,406,180		955,120	2,154,753	296,307
Mutual funds	7,297,646	7,297,646			
Money market	2,005,284	2,005,284			
Common stock (1)	<u>4,005,834</u>				
	<u>24,456,862</u>	<u>10,098,271</u>	<u>4,206,083</u>	<u>4,091,140</u>	<u>2,055,534</u>
Total investments	<u>\$30,817,218</u>	<u>\$16,458,627</u>	<u>\$4,206,083</u>	<u>\$4,091,140</u>	<u>\$2,055,534</u>

(1) Risk disclosures do not apply to equities.

The investments in the securities of U.S. government agencies were all rated AA+ by Standard & Poor's, and AAA by Moody's Investors Services. The securities of U.S. government agencies at April 30, 2013 consist of the following:

	<u>Fiduciary</u>
FHLMC	\$ 700,940
FNMA	1,714,874
GNMA	57,871
TVA	<u>41,080</u>
Total	<u>\$2,514,765</u>

In accordance with the City's investment policy, the City invests in mortgage-backed securities. These securities are reported at fair value and are based on the cash flows from interest and principal payments by the underlying mortgages. As a result, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates. For example, if interest rates decline and homeowners refinance mortgages, thereby prepaying the mortgages underlying these securities, the cash flow from interest payments is reduced and the value of these securities declines. Likewise, if homeowners pay on mortgages longer than anticipated, the cash flows are greater and the return on the initial investment would be higher than anticipated. The City invests in mortgage-backed securities to diversify the portfolio and to increase the return while minimizing the extent of risk.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued):

The City invests in Illinois Funds, an external investment pool administered by the State Treasurer, which is rated AAAM by Standard & Poor's Investment Services. The City also invests in Treasury Management Investment Fund, an external investment sweep fund designed specifically for government and municipal entities. The Fund is administered by PNC Bank. The Fund has an average portfolio quality rating of A1+/P1. The City also invests in Illinois Metropolitan Investment Fund, an external investment pool administered by and for Illinois public funds managers and financial officers, which is rated AAAf/S1 by Standard & Poor's Investment Services. No rating is available for the City's investment in money market and corporate bonds which are managed by an investment broker.

Interest Rate Risk

The City's investment policy limits investment maturities in the General Fund and Special Revenue Funds to a maximum of 36 months. Investments in other funds may be purchased with a longer maturity to match future project or liability requirements as limited by bond ordinances. However, in practice, the City generally limits the average duration of its investments to less than one year in order to control fair value losses arising from increasing interest rates and to remain sufficiently liquid to meet operating needs. Interest rate risk for investments held by Pension Trust Funds is managed by establishing investment parameters for the investment managers.

Credit Risk

The City's investment and cash management policy, as well as the investment policies of the Police and Firefighters' Pension Trust Funds, prescribe to the "prudent person" rule, which states, "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the possible income to be derived." The City's investment policy follows the requirements of the State of Illinois Public Funds Investment Act, which prescribes allowable investment vehicles. According to the City's investment policy governing diversification, its investment in Illinois Funds shall not exceed 40 percent of the total investment portfolio unless specifically authorized by the City Council. The City places no limit on the amount the City may invest in any other issuer. The Police and Firefighters' Pension Trust Funds each have separate investment policies, which establish criteria for allowable investments. Both funds follow the requirements of the Illinois Pension Code. The following significant investments (other than those explicitly guaranteed or issued by the U.S. government or those invested in mutual funds, external investment pools or other pooled investments) in the Police and Firefighters' Pension Plans represent 5 percent or more of the net assets available for benefits of the respective plans:

Police Pension Fund:

FNMA

\$1,085,311

Firefighters' Pension Fund:

FNMA

\$629,563

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS:

Illinois Municipal Retirement Fund:

Plan Description

The City contributes to the Illinois Municipal Retirement Fund (IMRF), which provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. IMRF is an agent-multiple-employer public employee retirement system that acts as a common investment and administrative agent for local governments and school districts in Illinois. The IMRF covers all City employees who occupy a job normally requiring 600 hours or more per year, are paid on a regular payroll from City funds, were under age 60 when first entering employment and are not covered by another state-created retirement system for the same service. Employees not qualifying above are considered "nonparticipating employees" and are covered under Social Security or under the police pension or firefighters' pension plans. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly. IMRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole, but not for individual employers. That report may be obtained on-line at www.imrf.org.

IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3 percent of their final rate of earnings, for each year of credited service up to 15 years, and 2 percent for each year thereafter.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after 10 years of service. Participating members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3 percent of their final rate of earnings, for each year of credited service up to 15 years, and 2 percent for each year thereafter.

Funding Policy

As set by statute, employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2012, used by the City, was 10.38 percent of annual covered payroll. The employer annual required contribution rate for calendar year 2012 was 12.54 percent. Employer also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost and Net Pension Obligation

For the fiscal year ending April 30, 2013, the employer's actual contributions for pension cost were \$656,972. Its required contribution for calendar year 2012 was \$746,164. The required contribution for 2012 was determined as part of the December 31, 2010 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2010, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):

increases of 4.0 percent a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4 percent to 10.0 percent per year depending on age and services, attributable to seniority/merit, and (d) post-retirement benefit increases of 3.0 percent annually. The actuarial value of IMRF assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20.0 percent corridor between the actuarial and market value of assets. IMRF's unfunded actuarial accrued liability at December 31, 2010 is being amortized as a level percentage of projected payroll on an open 30 year basis.

Three-Year Trend Information:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (NPO)</u>
2013	\$792,219	83%	\$515,829
2012	718,005	78%	380,582
2011	687,085	75%	225,678

The City's APC and NPO are calculated as follows:

Annual required contribution	\$784,078
Interest on net pension obligation	28,544
Adjustment to annual required contribution	(20,403)
Annual pension cost	792,219
Contributions made	656,972
Increase in net pension obligation	135,247
Net pension obligation, beginning of year	380,582
Net pension obligation, end of year	\$515,829

Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the City's IMRF plan was 72.66 percent funded. The actuarial accrued liability for benefits was \$20,703,923 and the actuarial value of assets was \$15,043,081, resulting in an underfunded actuarial accrued liability (UAAL) of \$5,660,842. The covered payroll for calendar year 2012 (annual payroll of active employees covered by the plan) was \$5,950,270 and the ratio of the UAAL to the covered payroll was 95 percent.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):

Police Pension and Firefighters' Pension Funds:

A. Plan descriptions

The City contributes to two single-employer defined benefit pension plans: The Police Pension Plan and the Firefighters' Pension Plan (Plans). Each plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and beneficiaries. Sworn Police and Fire personnel are covered by the Plans. Although these are single-employer pension plans, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (ILCS) and may be amended only by the Illinois legislature. The City accounts for the Plans as Pension Trust Funds. The City does not, however, separately issue audited financial reports for the Plans.

Police Pension Plan

Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of 2.5 percent of final salary for each year of service up to 30 years, to a maximum of 75 percent of such salary.

Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit of 2.5 percent of final salary for each year of service.

Surviving spouses receive 100 percent of final salary for fatalities resulting from an act of duty, or otherwise the greater of 50 percent of final salary or the employee's retirement benefit.

Employees disabled in the line of duty receive 65 percent of final salary.

The monthly pension of a covered employee who retired with 20 or more years of service after January 1, 1977, shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years by 3 percent of the originally granted pension. Beginning with increases granted on or after July 1, 1993, the second and subsequent automatic annual increases shall be calculated as 3 percent of the amount of the pension payable at the time of the increase.

Employees are required by ILCS to contribute 9.91 percent of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest.

For employees hired after January 1, 2011, the normal retirement age is attainment of age 55 and completion of 10 years of service. Early retirement age is attainment of age 50, completion of 10 years of service and the early retirement factor is 6 percent per year. The employee's accrued benefit is based on the employee's final eight year average salary not to exceed \$106,800 (as indexed). Cost of living adjustments are simple increases, not compounded, of the lesser of three percent or 50 percent of the Consumer Price Index beginning the later of the anniversary and age 60. Surviving spouse's benefits are 66.67 percent of the employee's benefit at the time of death.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):

Firefighters' Pension Plan

Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the monthly salary attached to the rank held in the fire service at the date of retirement. The monthly pension shall be increased by one-twelfth of 2.5 percent of such monthly salary for each additional month of service over 20 years up to 30 years, to a maximum of 75 percent of such monthly salary.

Employees with at least 10 years, but less than 20 years of credited service, may retire at or after age 60 and receive a reduced retirement benefit ranging from 15 percent of final salary for 10 years of service to 45.6 percent for 19 years of service.

Surviving spouses receive 100 percent of final salary for fatalities resulting from an act of duty, or otherwise the greater of 54 percent of final salary or the monthly retirement pension that the deceased firefighter was receiving at the time of death. Surviving children receive 12 percent of final salary. The maximum family survivor benefit is 75 percent of final salary.

Employees disabled in the line of duty receive 65 percent of final salary.

The monthly pension of a covered employee who retired with 20 or more years of service after January 1, 1977, shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55, by 3 percent of the amount of the pension payable at the time of the increase.

Covered employees are required by ILCS to contribute 9.455 percent of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest.

For employees hired after January 1, 2011, the annual retirement benefit is 2.5 percent of final average salary for each year of service up to 30 years, to a maximum of 75 percent of such salary, the normal retirement age is attainment of age 55 and completion of 10 years of service. Early retirement age is attainment of age 50, completion of 10 years of service and early retirement factor of 6 percent per year. The employee's accrued benefit is based on the employee's final eight year average salary not to exceed \$106,800 (as indexed). Cost of living adjustments are simple increases, not compounded, of the lesser of 3 percent or 50 percent of Consumer Price Index beginning the later of the anniversary date and age 60. Surviving spouse's benefits are 66.67 percent of the employee's benefits at the time of death.

Membership of the Plans is as follows:

	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Retirees and beneficiaries receiving benefits	54	69
Terminated plan members entitled to but not yet receiving benefits	-0-	2
Active vested plan members	53	28
Active nonvested plan members	<u>15</u>	<u>25</u>
Total	<u>122</u>	<u>124</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):

B. Summary of Significant Accounting Policies and Plan Asset Matters

The financial statements of the Plans are prepared using the accrual basis of accounting. Employee contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. All plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Investments without an established market are reported at estimated fair value. Administrative costs are financed through investment earnings.

C. Significant Investments

There are no significant investments (other than those guaranteed or issued by the U.S. government) in any one organization that represent 5 percent or more of the net position available for benefits except for the following investments:

Police Pension Fund:	
SPDR Trust Series	<u>\$1,116,743</u>
Firefighters' Pension Fund:	
Calamos Growth and Income Fund	\$ 542,475
SPDR Trust Series	798,400
Ivy Asset Strategy Fund	573,045
Pimco All Asset All Authority Fund	591,852
Gabelli Value Fund	<u>647,233</u>
	<u>\$3,153,005</u>

D. Funding Policy and Actuarial Assumptions

The City funds its contribution to the Plans through an annual tax levy. The levy amount is actuarially determined as the annual contribution necessary to fund the normal cost, plus the amount to amortize the unfunded accrued liability. Actuarial valuations are performed annually. There are no material current year changes to the actuarial assumptions and benefit provisions.

Employer contributions have been determined as follows:

	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Actuarial valuation date	April 30, 2012	April 30, 2012
Employer contribution rate	39.45% of covered payroll	56.62% of covered payroll
Actuarial cost method	Entry-age normal	Entry-age normal
Asset valuation method	Market	Market

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):

	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed
Remaining amortization period	29 years	29 years
Significant actuarial assumptions:		
(a) Investment rate of return*	7.0% compounded annually	7.0% compounded annually
(b) Projected salary increases*	5% compounded annually	5% compounded annually
(c) Cost of living adjustments	3% per year	3% per year
* Includes inflation at	3%	3%

E. Annual Pension Cost and Net Pension Obligation

Employer APC, percentage of APC contributed and the NPO are as follows. The NPO is the cumulative difference between the Annual Required Contribution (ARC) and the contributions actually made.

	<u>Year Ending April 30,</u>	<u>Police Pension</u>	<u>Firefighters' Pension</u>
APC:			
	2013	\$2,126,197	\$2,279,047
	2012	2,073,464	2,269,936
	2011	1,897,883	2,197,686
Percentage of APC contributed:			
	2013	93.5%	92.9%
	2012	95.0%	90.1%
	2011	74.7%	69.1%
NPO:			
	2013	\$5,448,727	\$7,999,012
	2012	5,310,998	7,836,985
	2011	5,206,423	7,613,181

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):

The City's APC and NPO are calculated as follows:

	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Annual required contribution	\$1,988,469	\$2,075,813
Interest on net pension obligation	371,770	548,589
Adjustment to annual required contribution	(234,042)	(345,355)
Annual pension cost	2,126,197	2,279,047
Contributions made	<u>1,988,468</u>	<u>2,117,020</u>
Increase in net pension obligation	137,729	162,027
Net pension obligation, beginning of year	<u>5,310,998</u>	<u>7,836,985</u>
Net pension obligation, end of year	<u>\$5,448,727</u>	<u>\$7,999,012</u>

F. Pension Financial Statements

The following is a combining statement of plan net position as of April 30, 2013:

	<u>Police Pension Fund</u>	<u>Firefighters' Pension Fund</u>	<u>Totals</u>
Assets:			
Cash and short-term investments	\$ 1,734,906	\$1,215,344	\$ 2,950,250
Receivables, less allowance for uncollectible amounts:			
Employee contributions	42,328	14,522	56,850
Interest	39,667	35,640	75,307
Investments, at fair value:			
Open-end mutual funds	3,318,910	3,978,736	7,297,646
Corporate securities	4,005,834		4,005,834
U.S. treasury and agency securities	4,457,112	2,828,140	7,285,252
Corporate bonds	2,134,001	1,272,179	3,406,180
State and local obligations	302,078	154,529	456,607
Prepaid items	<u> </u>	<u>8,919</u>	<u>8,919</u>
Total assets	<u>16,034,836</u>	<u>9,508,009</u>	<u>25,542,845</u>
Liabilities:			
Benefits and other payables	<u>182,649</u>	<u>219,345</u>	<u>401,994</u>
Net position held in trust for pension benefits	<u>\$15,852,187</u>	<u>\$9,288,664</u>	<u>\$25,140,851</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):

The following is a combining statement of changes in plan net position for the year ended April 30, 2013:

	<u>Police Pension Fund</u>	<u>Firefighters' Pension Fund</u>	<u>Totals</u>
Additions:			
Contributions:			
Employer	\$2,103,081	\$2,197,061	\$4,300,142
Employee	<u>509,421</u>	<u>356,887</u>	<u>866,308</u>
Total contributions	<u>2,612,502</u>	<u>2,553,948</u>	<u>5,166,450</u>
Investment income:			
Net change in			
fair value of investments	1,027,623	231,897	1,259,520
Interest and dividends	<u>331,423</u>	<u>293,744</u>	<u>625,167</u>
	1,359,046	525,641	1,884,687
Less: investment expenses	<u>(92,376)</u>	<u>(58,863)</u>	<u>(151,239)</u>
Net investment income	<u>1,266,670</u>	<u>466,778</u>	<u>1,733,448</u>
Total additions	<u>3,879,172</u>	<u>3,020,726</u>	<u>6,899,898</u>
Deductions:			
Benefits	2,163,068	2,576,772	4,739,840
Administrative expenses	<u>29,334</u>	<u>29,427</u>	<u>58,761</u>
Total deductions	<u>2,192,402</u>	<u>2,606,199</u>	<u>4,798,601</u>
Net increase	1,686,770	414,527	2,101,297
Net position held in trust for			
pension benefits:			
May 1, 2012	<u>14,165,417</u>	<u>8,874,137</u>	<u>23,039,554</u>
April 30, 2013	<u>\$15,852,187</u>	<u>\$9,288,664</u>	<u>\$25,140,851</u>

G. Funded Status and Funding Progress

The funded status of the Plans based on actuarial valuations performed as of April 30, 2012, is as follows. The actuarial assumptions used to determine the funded status of the plans are the same actuarial assumptions used to determine the employer annual pension contribution of the plans as disclosed above in Note 3 D.

	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Actuarial accrued liability (AAL)	\$50,112,894	\$44,289,836
Actuarial value of plan assets	16,153,885	8,874,137
Unfunded actuarial accrued liability (UAAL)	33,959,009	35,415,699
Funded ratios (actuarial value of plan		
assets / AAL)	32.2%	20.0%
Covered payroll (active plan members)	5,040,621	3,739,227
UAAL as a percentage of covered payroll	673.7%	947.1%

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 4 - OTHER POST-EMPLOYMENT BENEFITS:

Plan Description

In addition to providing the pension benefits described, the City provides post-employment health care benefits (OPEB) for retired employees through a single employer defined benefit plan. The benefits, benefit levels, employee contributions and any employer contributions are governed by the City and can be amended by the City through its personnel manual and union contracts. The plan is not accounted for as a trust fund, an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report. The activities of the plan are reported in the City's governmental and business-type activities.

Benefits Provided

The City provides post-employment health care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under one of the City's retirement plans or meet COBRA requirements.

All health care benefits are provided through the City's health plan. The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services; mental, nervous, and substance abuse care; and prescriptions. Eligibility in the City sponsored health care plan is not discontinued upon eligibility for federally sponsored health care benefits. The retirees may continue on the City's health plan as a supplement to other plans for which the retirees are eligible.

Membership

At April 30, 2013, membership consisted of:

Retirees and beneficiaries currently receiving benefits	20
Terminated employees entitled to benefits but not yet receiving them	-0-
Active vested plan members	166
Active nonvested plan members	<u>76</u>
Total	<u>262</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 4 – OTHER POST-EMPLOYMENT BENEFITS (Continued):

Funding Policy

The City negotiates the contribution percentages between the City and employees through the union contracts and personnel policy. All retirees contribute 100% of the actuarially determined premium to the plan (except for the Kankakee Environmental Services Utility retirees who contribute 20% of premium for the first three years only), to cover the cost of providing the benefits to the current members via the insured plan (pay as you go) which results in an implicit subsidy to the City as defined by the GASB Statement No. 45. For the fiscal year ending April 30, 2013, retirees contributed \$281,314 and the City contributed \$145,422 toward the implicit subsidy. The City is not required to and currently does not advance fund the cost of benefits that will become due and payable in the future. Active employees do not contribute to the plan until retirement.

Annual OPEB Costs and Net OPEB Obligation

The City had its actuarial valuation performed for the plan as of April 30, 2013. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Year Ending April 30,</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$366,387	\$145,422	39.7%	\$718,150
2012	367,658	145,422	39.6%	497,185
2011	205,147	112,792	55.0%	274,949

The net OPEB obligation (NOPEBO) as of April 30, 2013, was calculated as follows:

Annual required contribution	\$363,074
Interest on net OPEB obligation	19,887
Adjustment to annual required contribution	<u>(16,574)</u>
Annual OPEB cost	366,387
Contributions made	<u>145,422</u>
Increase in net OPEB obligation	220,965
Net OPEB obligation, beginning of year	<u>497,185</u>
Net OPEB obligation, end of year	<u>\$718,150</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 4 – OTHER POST-EMPLOYMENT BENEFITS (Continued):

Funded Status and Funding Progress

The Funded status of the plan as of April 30, 2013 was as follows:

Actuarial accrued liability (AAL)	\$4,352,020
Actuarial value of plan assets	-0-
Unfunded actuarial accrued liability (UAAL)	4,352,020
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	14,730,118
UAAL as a percentage of covered payroll	29.5%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the April 30, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate starting at 8.00% initially and 6.00% ultimately. Both rates include a 3.00% inflation assumption. The actuarial value of assets was not determined as the City has not advanced its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at April 30, 2013, was 30 years.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 5 - CAPITAL ASSETS:

A summary of changes in capital assets of the City and its component units for the year ended April 30, 2013 is as follows:

	Balance May 1, 2012	Additions	Deletions	Balance April 30, 2013
Primary government:				
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,268,162			\$ 5,268,162
Construction in progress	<u>939,593</u>	\$ <u>107,085</u>		<u>1,046,678</u>
Total capital assets not being depreciated	<u>6,207,755</u>	<u>107,085</u>	\$ <u>-0-</u>	<u>6,314,840</u>
Capital assets being depreciated:				
Buildings	14,282,745			14,282,745
Equipment	699,686	81,117		780,803
Vehicles	4,357,399	306,583	187,914	4,476,068
Land improvements	3,530,558			3,530,558
Infrastructure	<u>79,720,293</u>			<u>79,720,293</u>
Total capital assets being depreciated	<u>102,590,681</u>	<u>387,700</u>	<u>187,914</u>	<u>102,790,467</u>
Less accumulated depreciation:				
Buildings	1,497,474	192,897		1,690,371
Equipment	471,101	103,606		574,707
Vehicles	2,514,703	293,187	175,257	2,632,633
Land improvements	1,211,482	164,568		1,376,050
Infrastructure	<u>16,830,784</u>	<u>988,837</u>		<u>17,819,621</u>
Total accumulated depreciation	<u>22,525,544</u>	<u>1,743,095</u>	<u>175,257</u>	<u>24,093,382</u>
Total capital assets being depreciated, net	<u>80,065,137</u>	<u>(1,355,395)</u>	<u>12,657</u>	<u>78,697,085</u>
Total capital assets, net	<u>\$86,272,892</u>	<u>\$(1,248,310)</u>	<u>\$ 12,657</u>	<u>\$85,011,925</u>

Depreciation expense for governmental activities for the year ended April 30, 2013 was charged to functions as follows:

General government	\$ 377,308
Public safety	373,015
Highways and streets	988,837
Community development	<u>3,935</u>
	<u>\$1,743,095</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 5 - CAPITAL ASSETS (Continued):

The beginning balances of the capital assets for Kankakee Environmental Services Utility, reported in the business-type activities of the primary government, were restated by \$110,293 to correct certain errors identified in the prior period. See Note 20.

	Balance May 1, 2012 (Restated)	<u>Additions</u>	<u>Deletions</u>	Balance April 30, 2013
Business-type activities:				
Kankakee Environmental Services Utility:				
Capital assets not being depreciated:				
Land	\$ 642,263			\$ 642,263
Construction in progress	852,485	244,971	210,296	887,160
Total capital assets not being depreciated	1,494,748	244,971	210,296	1,529,423
Capital assets being depreciated:				
Buildings	11,965,986			11,965,986
Equipment	3,356,707	43,018		3,399,725
Vehicles	2,679,604		18,820	2,660,784
Leasehold improvements	289,696			289,696
Infrastructure	29,614,588	547,488		30,162,076
Total capital assets being depreciated	47,906,581	590,506	18,820	48,478,267
Less accumulated depreciation:				
Buildings	5,578,058	242,175		5,820,233
Equipment	2,499,458	161,771		2,661,229
Vehicles	1,610,848	207,634	18,820	1,799,662
Leasehold improvements	75,014	7,018		82,032
Infrastructure	11,205,879	683,215		11,889,094
Total accumulated depreciation	20,969,257	1,301,813	18,820	22,252,250
Total capital assets being depreciated, net	26,937,324	(711,307)	-0-	26,226,017
Total capital assets, net	\$28,432,072	\$ (466,336)	\$210,296	\$27,755,440
Motor Vehicle Parking:				
Capital assets not being depreciated:				
Land	\$1,443,808	\$-0-	\$-0-	\$1,443,808
Capital assets being depreciated:				
Equipment	82,384			82,384
Vehicles	18,555			18,555
Land improvements	731,992			731,992
Total capital assets being depreciated	832,931	-0-	-0-	832,931

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 5 - CAPITAL ASSETS (Continued):

	<u>Balance May 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance April 30, 2013</u>
Less accumulated depreciation:				
Equipment	\$ 82,384			\$ 82,384
Vehicles	18,555			18,555
Land improvements	<u>731,992</u>	<u>—</u>	<u>—</u>	<u>731,992</u>
Total accumulated depreciation	<u>832,931</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>832,931</u>
Total capital assets being depreciated, net	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total capital assets, net	<u>\$1,443,808</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$1,443,808</u>
Component Units:				
Kankakee Public Library:				
Capital assets being depreciated:				
Buildings	\$7,758,883			\$7,758,883
Equipment	59,489			59,489
Leasehold improvements	<u>294,670</u>			<u>294,670</u>
Total capital assets being depreciated	<u>8,113,042</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>8,113,042</u>
Less accumulated depreciation:				
Buildings	1,347,374	98,020		1,445,394
Equipment	59,489			59,489
Leasehold improvements	<u>77,262</u>	<u>14,734</u>	<u>—</u>	<u>91,996</u>
Total accumulated depreciation	<u>1,484,125</u>	<u>112,754</u>	<u>-0-</u>	<u>1,596,879</u>
Total capital assets, net	<u>\$6,628,917</u>	<u>\$(112,754)</u>	<u>\$ -0-</u>	<u>\$6,516,163</u>
Special Service Area No. 1:				
Capital assets being depreciated:				
Land improvements	<u>\$1,126,132</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$1,126,132</u>
Less accumulated depreciation:				
Land improvements	<u>251,060</u>	<u>54,918</u>	<u>-0-</u>	<u>305,978</u>
Total capital assets, net	<u>\$ 875,072</u>	<u>\$ (54,918)</u>	<u>\$ -0-</u>	<u>\$ 820,154</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES:

Interfund balances at April 30, 2013 consisted of the following:

Primary government:	
Governmental funds:	
Due to General Fund from:	
Capital Project Fund	\$ 1,634
Kankakee Environmental Services Utility	273,917
Nonmajor governmental funds	<u>157,844</u>
Total	<u>\$433,395</u>
Component units:	
Library	<u>\$64,291</u>
Due to Capital Projects Fund from:	
Nonmajor governmental funds	<u>\$171,344</u>
Due to nonmajor governmental funds from:	
Nonmajor governmental funds	\$503,425
Kankakee Environmental Services Utility	<u>2,086</u>
Total	<u>\$505,511</u>
Component Units:	
Library	<u>\$9,941</u>
Enterprise funds:	
Due to Kankakee Environmental Services Utility from:	
General Fund	\$220,477
Nonmajor governmental fund	<u>261,618</u>
Total	<u>\$482,095</u>
Component Units:	
Due to Special Service Area #1 from:	
Nonmajor governmental fund	<u>\$108,145</u>

These balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made. All these interfund balances are expected to be repaid within one year.

NOTE 7 - ACCOUNTS RECEIVABLE:

An analysis of the collectibility of accounts receivable for sewer, garbage collection, Community Development Agency loans and other receivables was performed as of April 30, 2013. The analysis shows that the collection of approximately \$389,024 of these accounts is doubtful. An allowance for uncollectible accounts for this amount has been recorded. At April 30, 2013, the City has deferred economic development loans receivable of \$537,705 since they will not be available to pay current period expenditures. All other receivables are scheduled for collection during the fiscal year ending April 30, 2014.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 7 - ACCOUNTS RECEIVABLE (Continued):

Accounts receivable at April 30, 2013, are as follows:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Activities</u>
Governmental activities:			
Trash collection	\$ 160,024		\$ 160,024
Franchise fees	95,755		95,755
Economic development loans		\$ 726,898	726,898
Other receivables	<u>362,053</u>	<u>461</u>	<u>362,514</u>
Total	617,832	727,359	1,345,191
Less: allowance for doubtful accounts	<u>(160,024)</u>	<u>(188,000)</u>	<u>(348,024)</u>
Accounts receivable, net	<u>\$ 457,808</u>	<u>\$ 539,359</u>	<u>\$ 997,167</u>
	<u>Kankakee Environmental Services Utility</u>		
Business-type activities:			
Sewer charges	\$1,216,306		
Garbage collection	414,214		
Other receivables	<u>93,964</u>		
Total	1,724,484		
Less: allowance for doubtful accounts	<u>(41,000)</u>		
Accounts receivable, net	<u>\$1,683,484</u>		

NOTE 8 - DUE FROM OTHER GOVERNMENTAL AGENCIES:

The following receivables are included in due from other governmental agencies:

Governmental activities:	
General Fund:	
Sales tax	\$6,177,176
Local use tax	101,156
State replacement tax	136,608
Income tax	400,854
Gaming tax	7,989
Various grants	<u>66,605</u>
Total General Fund	<u>\$6,890,388</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 8 - DUE FROM OTHER GOVERNMENTAL AGENCIES (Continued):

Nonmajor governmental funds:	
CDBG Grant	\$ 159,000
Lead Grant	59,478
Home Grant	20,445
Motor Fuel Taxes	<u>47,763</u>
Total nonmajor governmental funds	<u>286,686</u>
Total governmental activities	<u>\$7,177,074</u>
Business-type activities:	
Kankakee Environmental Services Utility:	
Illinois Department of Transportation	\$18,245
Kankakee Township	<u>14,529</u>
Total business-type activities	<u>\$32,774</u>

NOTE 9 - SPECIAL ASSESSMENTS:

The special assessments receivable of \$1,713,500 results from the creation of Indian Meadows Special Tax Assessment District for infrastructure costs. The special assessments are recorded when levied. Deferred assessments consist of unbilled special assessments which are liens against the property benefited. \$1,713,500 of the special assessments receivable is not expected to be collected within one year.

NOTE 10 - LONG-TERM DEBT OBLIGATIONS:

A summary of changes in long-term debt for the year ended April 30, 2013 is as follows:

	Balance <u>May 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>April 30, 2013</u>	Due within <u>One Year</u>
Primary Government:					
Governmental activities:					
Bonds Payable:					
General obligation bonds	\$65,302,327	\$7,705,000	\$12,165,000	\$60,842,327	\$4,985,000
Premium on bond proceeds	<u>886,790</u>	<u>156,663</u>	<u>264,428</u>	<u>779,025</u>	
Total bonds payable	66,189,117	7,861,663	12,429,428	61,621,352	4,985,000
Installment notes	2,591,617		304,698	2,286,919	316,900
Unfunded employer pension contributions	13,528,565	435,003		13,963,568	
Compensated absences	4,840,000	1,412,500	1,133,000	5,119,500	1,564,000
Net other post employment benefit obligation	<u>361,999</u>	<u>271,126</u>	<u>107,611</u>	<u>525,514</u>	
Total long-term debt	<u>\$87,511,298</u>	<u>\$9,980,292</u>	<u>\$13,974,737</u>	<u>\$83,516,853</u>	<u>\$6,865,900</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 10 - LONG-TERM DEBT OBLIGATIONS (Continued):

Business-type activities:

Kankakee Environmental Services Utility:

Bonds Payable:

Revenue bonds	\$ 8,765,000		\$ 450,000	\$ 8,315,000	\$465,000
Discount on bond proceeds	<u>(11,027)</u>		<u>(959)</u>	<u>(10,068)</u>	

Total bonds payable	8,753,973	\$ -0-	449,041	8,304,932	465,000
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Note payable	4,000,000	350,000		4,350,000	
Compensated absences	851,500	212,700	289,900	774,300	342,000
Net other post employment benefit obligation	<u>135,186</u>	<u>57,451</u>		<u>192,637</u>	

Total long-term debt	<u>\$13,740,659</u>	<u>\$620,151</u>	<u>\$738,941</u>	<u>\$13,621,869</u>	<u>\$807,000</u>
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Component units:

Capital lease obligations	<u>\$2,843,062</u>	\$ -0-	<u>\$114,666</u>	<u>\$2,728,396</u>	<u>\$120,533</u>
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Long-term liabilities other than debt typically have been liquidated in the General Fund and Kankakee Environmental Services Utility Fund.

Long-term debt is comprised of the following:

Governmental
Activities

General Obligation Bonds

The City has issued several general obligation serial bonds to provide for the costs of the City's various public infrastructure and capital improvement programs. General obligation bonds at April 30, 2013, consist of the following:

\$9,160,000 City of Kankakee serial bonds dated February 1, 2005, due in annual installments on January 1 of amounts ranging from \$115,000 to \$815,000, through January 2024, plus interest ranging from 3.00% to 4.35%, payable semiannually.	\$ 3,150,000
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\$9,555,000 City of Kankakee serial bonds dated September 15, 2006, due in annual installments on January 1 of amounts ranging from \$40,000 to \$1,125,000, through January 2025, plus interest ranging from 3.50% to 5.25%, payable semiannually.	8,050,000
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CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 10 - LONG-TERM DEBT OBLIGATIONS (Continued):

	<u>Governmental Activities</u>
\$5,405,000 City of Kankakee serial bonds dated August 2, 2007, due in annual installments on January 1 of amounts ranging from \$110,000 to \$700,000, through January 2027, plus interest ranging from 4.00% to 5.00%, payable semiannually.	\$ 4,350,000
\$1,422,327 City of Kankakee serial bonds dated August 2, 2007, due in annual installments on January 1 of amounts ranging from \$267,496 to \$402,672, through January 2018, plus interest ranging from 4.25% to 4.36%, payable annually.	1,422,327
\$6,930,000 City of Kankakee serial bonds dated June 1, 2008, due in annual installments on January 1 of amounts ranging from \$315,000 to \$1,075,000, through January 2024, plus interest ranging from 3.45% to 5.25% payable semiannually.	6,930,000
\$10,180,000 City of Kankakee serial bonds dated April 15, 2009, due in annual installments on January 1 of amounts ranging from \$80,000 to \$1,025,000 through January 2029, plus interest ranging from 2.30% to 5.00% payable semiannually.	9,935,000
\$14,905,000 City of Kankakee serial bonds dated April 15, 2009, due in annual installments on January 1 of amounts ranging from \$35,000 to \$2,275,000, through January 2025, plus interest ranging from 3.00% to 5.00% payable semiannually.	9,650,000
\$5,000,000 City of Kankakee serial bonds dated April 27, 2011, due in annual installments on January 1 of amounts ranging from \$105,000 to \$955,000 through January 2025, plus interest ranging from 2.50% to 4.90% payable semiannually.	5,000,000
\$370,000 City of Kankakee bonds dated April 27, 2011, due in a single installment on January 1, 2020, plus interest of 4.10% payable semiannually.	370,000

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 10 - LONG-TERM DEBT OBLIGATIONS (Continued):

	<u>Governmental Activities</u>
\$1,310,000 City of Kankakee serial bonds dated April 27, 2011, due in annual installments on January 1 of amounts ranging from \$255,000 to \$365,000 through January 2015, plus interest ranging from 2.00% to 3.00% payable semiannually.	\$ 620,000
\$2,035,000 City of Kankakee serial bonds dated October 12, 2011, due in annual installments on January 1 of amounts ranging from \$940,000 to \$1,095,000 through January 2014, plus interest of 2.00% payable semiannually.	1,095,000
\$2,645,000 City of Kankakee serial bonds dated March 13, 2012, due in annual installments on January 1 of amounts ranging from \$80,000 to \$465,000, through January 2019, plus interest ranging from 2.00% to 2.50% payable semiannually.	2,565,000
\$3,915,000 City of Kankakee serial bonds dated October 11, 2012, due in annual installments on January 1 of amounts ranging from \$20,000 to \$535,000, through January 2024, plus interest ranging from 2.00% to 2.90% payable semiannually.	3,915,000
\$3,790,000 City of Kankakee serial bonds dated November 1, 2012, due in annual installments on January 1 of amounts ranging from 100,000 to 1,820,000 through January 2020 plus interest ranging from 2.00% to 3.00% payable semiannually.	<u>3,790,000</u>
Total general obligation bonds	60,842,327
Add: Unamortized premium on bond issuance	<u>779,025</u>
Total general obligation bonds payable	<u>\$61,621,352</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 10 - LONG-TERM DEBT OBLIGATIONS (Continued):

The annual requirements to amortize all short and long-term general obligation bonds outstanding at April 30, 2013, are as follows:

<u>Year Ending</u> <u>April 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 4,985,000	\$2,335,030	\$7,320,030
2015	5,137,672	2,297,358	7,435,030
2016	5,350,125	2,138,649	7,488,774
2017	5,562,496	1,973,034	7,535,530
2018	5,027,034	1,919,719	6,946,753
2019 - 2023	21,935,000	5,624,077	27,559,077
2024 - 2028	11,920,000	1,418,697	13,338,697
2029	<u>925,000</u>	<u>42,088</u>	<u>967,088</u>
	<u>\$60,842,327</u>	<u>\$17,748,652</u>	<u>\$78,590,979</u>

	<u>Governmental</u> <u>Activities</u>
<u>Installment Notes</u>	
Non-interest bearing \$200,000 loan dated February 22, 2005, from the Illinois Finance Authority for the purchase of a fire truck, payable in twenty annual installments of \$10,000, commencing on November 1, 2005 through November 1, 2024.	\$ 120,000
\$2,876,532 general obligation bank note, dated January 30, 2008, secured by the full faith, credit and resources of the City, payable in 10 annual installments of \$352,500, including interest at 4.14%, through January 1, 2018.	1,666,919
\$500,000 Department of Housing and Urban Development Community Development Block Grant (CDBG) Section 108 loan dated February 27, 2008, secured by current and future CDBG funding allocations. The loan is payable in a one time payment of \$500,000 on December 2017, plus interest paid semi-annually at 1.64%.	<u>500,000</u>
Total installment notes	<u>\$2,286,919</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 10 - LONG-TERM DEBT OBLIGATIONS (Continued):

The annual requirements to amortize all long-term installment loans outstanding at April 30, 2013, are as follows:

<u>Year Ending</u> <u>April 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 316,900	\$ 77,237	\$ 394,137
2015	329,603	64,534	394,137
2016	342,836	51,301	394,137
2017	356,615	37,522	394,137
2018	870,965	19,058	890,023
2019 - 2023	50,000		50,000
2024 - 2025	20,000		20,000
	<u>\$2,286,919</u>	<u>\$249,652</u>	<u>\$2,536,571</u>

Capital Lease Obligation

The City has entered into a lease agreement as lessee for financing the acquisition of the library building. This lease agreement qualifies as capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments in the accompanying financial statements. The following is a schedule of capital lease obligations and the minimum lease payments:

	<u>Component Unit -</u> <u>Library</u>
\$7,758,882 lease, plus interest of \$2,628,206, due in monthly installments of \$21,185, including interest, through October 2028. Payable from Kankakee Public Library Fund, a component unit.	<u>\$2,728,396</u>

The following is an analysis of the assets recorded under capital leases at April 30, 2013:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net Book</u> <u>Value</u>
Component Units - Library:			
Buildings	<u>\$7,758,883</u>	<u>\$1,445,394</u>	<u>\$6,313,489</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 10 - LONG-TERM DEBT OBLIGATIONS (Continued):

Future minimum lease payments for all capital lease obligations:

<u>Year Ending</u> <u>April 30,</u>	<u>Component Unit -</u> <u>Library</u>		
2014	\$ 254,215		
2015	254,215		
2016	254,215		
2017	254,215		
2018	254,215		
2019 - 2023	1,271,076		
2024 - 2028	1,271,076		
2029	<u>105,924</u>		
Total minimum lease payments	3,919,151		
Less: amount representing interest	(1,190,755)		
Present value of minimum lease payments	<u>\$ 2,728,396</u>		
		<u>Governmental</u> <u>Activities</u>	
<u>Unfunded Employer Pension Contributions</u>			
Cumulative difference between the annual pension cost and the contributions funded for the Police Pension Fund	\$ 5,448,727		
Cumulative difference between the annual pension cost and the contributions funded for the Firefighters' Pension Fund	7,999,012		
Cumulative difference between the annual required pension cost and the contributions funded for Illinois Municipal Retirement Fund	<u>515,829</u>		
Total unfunded employer pension contributions due from General Fund	<u>\$13,963,568</u>		
		<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
<u>Compensated Absences</u>			
Vested portion of the vacation and sick leave and other employee benefits which are expected to be paid from the governmental funds and enterprise funds.	<u>\$5,119,500</u>		<u>\$774,300</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 10 - LONG-TERM DEBT OBLIGATIONS (Continued):

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
<u>Net Other Post Employment Benefits</u>		
Cumulative difference between the actuarially determined annual other post employment benefit cost and contributions made for the governmental funds and enterprise funds.	<u>\$525,514</u>	<u>\$192,637</u>

Revenue Bonds

Details of the revenue bond indebtedness of the City's Environmental Services Utility Fund at April 30, 2013, are as follows:

\$4,000,000 Sewer Utility serial bonds dated December 1, 2009, due in annual installments on May 1 of amounts ranging from \$220,000 to \$385,000, through May 1, 2024, plus interest at rates ranging from 2.00% to 5.80%, payable semiannually.	\$3,325,000
\$2,700,000 Taxable Sewer Utility serial bonds dated December 2, 2010, due in annual installments beginning on May 1, 2022 of amounts ranging from \$300,000 to \$330,000, through May 2025, with a final single payment of \$1,440,000 due on May 1, 2030, plus interest at rates ranging from 5.35% to 5.75%, payable semiannually.	2,700,000
\$2,740,000 Sewer Utility serial bonds dated December 2, 2010, due in annual installments on May 1 of amounts ranging from \$15,000 to \$290,000, through May 2022, plus interest at rates ranging from 2.00% to 3.90%, payable semiannually.	<u>2,290,000</u>
Total revenue bonds	8,315,000
Less: Unamortized discount on bond issuance	<u>(10,068)</u>
Total revenue bonds payable	<u>\$8,304,932</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 10 - LONG-TERM DEBT OBLIGATIONS (Continued):

Debt service on the above revenue bonds payable at April 30, 2013, are as follows:

<u>Year Ending</u> <u>April 30,</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 465,000	\$ 406,813	\$ 871,813
2015	480,000	392,787	872,787
2016	500,000	376,388	876,388
2017	515,000	358,007	873,007
2018	530,000	337,833	867,833
2019 - 2023	3,350,000	1,317,452	4,667,452
2024 - 2028	1,035,000	578,365	1,613,365
2029 - 2030	<u>1,440,000</u>	<u>73,125</u>	<u>1,513,125</u>
	<u>\$8,315,000</u>	<u>\$3,840,770</u>	<u>\$12,155,770</u>

Note Payable

\$4,350,000 Line of Credit note dated January 17, 2012, secured by the full faith, credit and resources of the City, payable in a one time payment of \$4,350,000 on July 2014, plus interest paid monthly at a rate 250 basis points above the LIBO rate. (Current rate .88%) \$4,350,000

Revenue bond ordinances of the Environmental Services Utility Fund require that certain reserve accounts be maintained at designated minimum dollar amounts or that specific monthly transfers be made to such accounts. The following shows such required reserve balances and the amounts actually reserved at April 30, 2013 in the Utility Fund:

	<u>Required</u> <u>reserve</u>	<u>Actual</u> <u>reserve</u>	<u>Surplus</u> <u>(deficit)</u>
Operation and maintenance	\$ 793,739	\$ 272,384	\$(521,355)
Bond reserve	1,464,700	1,148,028	(316,672)
Reserve and replacement	500,000	500,000	-0-
Bond and interest	<u>72,651</u>	<u>72,651</u>	<u>-0-</u>
	<u>\$2,831,090</u>	<u>\$1,993,063</u>	<u>\$(838,027)</u>

Activity in the reserve accounts during the year ended April 30, 2013 was as follows:

Environmental Services Utility Fund:

Restricted balance as of May 1, 2012	\$2,819,318
Transfer to operations and maintenance	(29,750)
Revenue bond principal	(450,000)
Revenue bond interest	<u>(346,505)</u>
Restricted balance as of April 30, 2013	<u>\$1,993,063</u>

The reserve account balances are represented in the Utility Fund as restricted cash and investments. At April 30, 2013, the above amounts were not sufficient to meet the minimum balance or reserve account transfer requirements of the revenue bond ordinances; the required reserve had a deficit of \$838,027.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 10 - LONG-TERM DEBT OBLIGATIONS (Continued):

The Utility covenants in the bond ordinance to establish, maintain and collect at all times fees, charges and rates for the use and service of the system, sufficient at all times to pay operating and maintenance costs, to pay the principal of and interest on all outstanding revenue bonds of the City which by their terms are payable solely from the revenues, to provide net revenues in each fiscal year in the amount of not less than 120 percent of the current debt service requirement for all outstanding bonds for such fiscal year, and to the extent necessary after the application of the net revenues available pursuant to the rate covenant described in this paragraph, such additional amounts as may be required to provide an adequate depreciation fund, and to provide for the creation and maintenance of the respective reserve accounts described above. "Current Debt Service Requirement" as used in this paragraph means the amount required to be credited under the bond ordinance to the bond and interest account in a given fiscal year. "Revenues" as defined in the bond ordinance and as used in the covenant calculation does not include proceeds from the sale of capacity. During the year ended April 30, 2013, the Utility did not comply with this rate covenant. The covenant calculation is included on page 114.

Required Bond Indenture Disclosures

Insurance Coverage - The plant, buildings and contents of the Kankakee Environmental Services Utility were insured at April 30, 2013 for \$7,681,264 under the City of Kankakee master policy with the U.S. Specialty Insurance Company. The Utility is also included on the master umbrella liability policy for the City of Kankakee, Illinois, with the U.S. Specialty Insurance Company. The master policy includes the following significant coverages:

	<u>Policy limits</u>
Property damage	\$31,666,736
General liability	10,000,000
Auto liability	6,000,000

Customer and Flow Information - Most of the customers have a water meter; the number of unmetered customers is negligible. As of April 30, 2013 there were 7,708 customers providing sewer charge revenue as follows:

	<u>Number of Customers</u>	<u>Sewer Charges</u>
Residential and commercial	7,663	\$3,491,590
Industrial and institutional	<u>45</u>	<u>5,802,036</u>
Total	<u>7,708</u>	<u>\$9,293,626</u>

User Rates - The rates in effect at April 30, 2013 were as follows:

Flow charge (100 cu. ft.)	\$ 4.40
BOD surcharge (lb.)	.40
SS surcharge (lb.)	.40
FOG surcharge (lb.)	.40
GW contaminated (100 cu. ft.)	9.50
Fixed charge (month)	27.50
IPP charges	3%

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 10 - LONG-TERM DEBT OBLIGATIONS (Continued):

Outstanding Bond Issues - 2009 bonds due May 1, 2011 to 2019 are noncallable in advance of maturity. 2009 bonds due May 1, 2020 to 2024 are callable on or after May 1, 2019. 2010A and B bonds due May 1, 2011 to 2019 are noncallable in advance of maturity. 2010A and B bonds due May 1, 2020 to 2030 are callable on or after May 1, 2020.

NOTE 11 - PROPERTY TAXES:

Property taxes are levied each year on all taxable real property located in the City. The City must file its tax levy ordinance by the last Tuesday of December of each year. The owner of real property on January 1 (lien date) in any year is liable for taxes of that year. Property taxes are collected by the Kankakee County Collector who remits to the City its share of the collection. Taxes levied for calendar year 2011 were due, payable, and collected in two installments in June and September 2012.

Revenue for property taxes is recognized in the governmental funds in the year for which the taxes are intended to finance and the funds are available. The City considers property tax revenue to be available if it is collected during the current year or within 60 days after year end. Property taxes levied for calendar year 2011 were intended to finance the fiscal year 2013 expenditures. Accordingly, the City recognized revenue during the year ended April 30, 2013 for collections from the calendar year 2011 levy if it was received by June 30, 2013. Property taxes levied for calendar year 2012, which will be collected in fiscal year 2014, are recorded as receivables and unavailable revenue as of April 30, 2013. The 2013 tax levy, which attaches as an enforceable lien on property as of January 1, 2013, has not been recorded as a receivable as of April 30, 2013, as the tax has not yet been levied by the City and will not be levied until December 2013, and therefore, the levy is not measurable at April 30, 2013.

NOTE 12 - INTERFUND TRANSFERS:

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>				
	<u>General</u>	<u>Capital Projects</u>	<u>Kankakee Environmental Services Utility</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
General			\$950,000		\$ 950,000
Capital Projects				\$ 5,352	5,352
Kankakee Environmental Services Utility	\$120,000			942,588	1,062,588
Nonmajor Governmental		\$136,668		1,788,235	1,924,903
	<u>\$120,000</u>	<u>\$136,668</u>	<u>\$950,000</u>	<u>\$2,736,175</u>	<u>\$3,942,843</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 12 - INTERFUND TRANSFERS (Continued):

The following paragraphs provide information concerning the various interfund transfers for the year ended April 30, 2013:

The General Fund transferred \$950,000 to the Kankakee Environmental Services Utility to provide for the operations of the Department of Public Works.

The Capital Projects Fund transferred \$5,352 to the Motor Fuel Fund to reimburse Motor Fuel Tax Fund for ineligible costs paid in prior years in relation to the Brookmont Viaduct Project.

The Kankakee Environmental Services Utility Fund made the following transfers:

Transferred \$120,000 to the General Fund as payment in lieu of taxes.

Transferred \$942,588 to the Debt Service Fund to provide for bond and interest retirement.

The following Tax Increment Financing Districts transferred funds to the Debt Service Fund to provide for bond and interest retirement:

Tax Increment Financing District No. 1	\$481,725
Tax Increment Financing District No. 5	127,084
Tax Increment Financing District No. 6	278,763
Tax Increment Financing District No. 7	37,308
Tax Increment Financing District No. 8	625,293

The Motor Fuel Tax Fund transferred \$136,668 to the Capital Projects Fund to reimburse the Capital Projects Fund for costs paid in prior years in relation to the Brookmont Viaduct and Riverfront Trail Projects.

The General Obligation Bonds, Series 2004 Fund transferred \$230,389 to the General Obligation Bonds, Series 2011 Fund to write off an outstanding interfund receivable for cash borrowed in prior years.

The General Obligation Bonds, Series 2004 Fund transferred \$2,729 to the General Obligation Bonds, Series 2012 Fund from its excess cash upon the refunding of the 2004 bonds.

The General Obligation Bonds, Series 2005 Fund transferred \$4,944 to the General Obligation Bonds, Series 2012 Fund from its excess cash upon the refunding of the 2005 bonds.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 13 - SEGMENT INFORMATION:

Kankakee Environmental Services Utility - Accounts for the operation of the City sewer and solid waste systems. The City has issued revenue bonds to support its sewer utility activities. The fund financial statements report the Utility as a major fund. All segment report requirements are included in the fund financial statements.

NOTE 14 - FEDERAL PROGRAM AUDITS:

The City participates in a number of federally assisted grant programs, principal of which are the Community Development Block Grant, HOME Grants, Lead-based Paint Hazard Control Program and various other public safety grant programs. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of April 30, 2013, significant amounts of grant expenditures have not been audited by the grantors, but the City believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

NOTE 15 - COMMITMENTS:

Lease Commitments

In July 1988, the City leased the Kankakee Dam for 60 years from the Illinois Department of Conservation for the purpose of constructing, operating and maintaining the Hydroelectric Plant. The annual lease payment is based on the number of kilowatt hours of electricity produced by the Hydroelectric Plant. The annual lease payment for the year ended April 30, 2013 was \$1,198.

Kankakee Environmental Services Utility entered into a lease agreement with Space Center Chicago, Inc. on October 5, 2001 to lease 34,922 square feet of office and warehouse space. The lease was scheduled to commence on December 15, 2001, and continue for a period of 240 months. The actual commencement date was April 2002. Rent consists of a base amount plus additional rent composed of operating expenses, amortization of tenant improvements and Common Area Maintenance charges. Rent expense for the year ended April 30, 2013 was \$88,059.

Kankakee Environmental Services Utility entered into a lease agreement with the Village of Manteno on February 20, 2006, to provide the means and use of the City's ability to transport and treat wastewater generated by the Village of Manteno and provide for the compensation by Manteno for the rights to utilize the collection and treatment capacity owned by Kankakee. The Village of Manteno will lease the transport and treatment capacity of 1,000,000 gallons per day, (365,000,000 gallons annually) from the City for a period of 20 years for a sum of \$150,000 per year. The annual lease payment received for the year ended April 30, 2013 was \$150,000.

Kankakee Environmental Services Utility entered into an intergovernmental agreement with the Village of Chebanse on April 5, 2004, to connect to the City's sewer system for providing sanitary sewer service for the residents of Chebanse. For the year ended April 30, 2013, the Utility received \$93,291 based upon the number of connections established for the residents of Chebanse.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 15 – COMMITMENTS (Continued):

Construction Commitments

The City has several active construction projects as of April 30, 2013. These projects and the City's commitment with contractors at April 30, 2013 are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Business-type activities:		
Stone Street lift station	<u>\$196,316</u>	<u>\$116,686</u>

NOTE 16 - INVESTMENT IN JOINT VENTURE:

Kankakee River Metropolitan Agency

Effective May 1, 1996, pursuant to a Municipal Joint Sewage Treatment Agency Intergovernmental Agreement, the City of Kankakee and the villages of Aroma Park, Bourbonnais, and Bradley agreed to the establishment of an independent agency with authority to operate the Regional Wastewater Treatment Facility (RWTF), raise revenue and exercise other powers as necessary. The independent agency created is the Kankakee River Metropolitan Agency (KRMA). The agreement requires a seven member board comprised of four persons appointed by the Mayor of the City of Kankakee and one person appointed by the Mayor of each village. A majority of five affirmative votes is required to modify this agreement, modify the methodology or the amount of user charges, approve bond issues or any appropriation in excess of \$50,000 or to change the membership of the Agency. On April 22, 1999, KRMA acquired ownership of the RWTF.

As of April 30, 2013, the City has recorded in the Environmental Services Utility Fund an investment in the joint venture of \$(506,121) relative to its investment in KRMA and a due to joint venture in the amount of \$214,378 which is reflected in accounts payable.

Financial statements of KRMA can be obtained from the City's accounting department. Pertinent financial information for the joint venture as of April 30, 2013 is as follows:

Statement of net position:	
Current assets	\$ 3,853,450
Restricted assets and bond issuance costs	4,070,959
Capital assets, net	<u>37,760,218</u>
Total assets	<u>45,684,627</u>
Current liabilities	9,392,865
Long-term liabilities	<u>33,111,182</u>
Total liabilities	<u>42,504,047</u>
Total net position	\$ <u>3,180,580</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 16 - INVESTMENT IN JOINT VENTURE (Continued):

Statement of revenues, expenses and changes in net position:	
Operating revenues	\$7,425,264
Operating expenses	6,580,030
Other income (expense), net	(909,619)
Change in net position	(64,385)
Ownership percentage	62.55%
Utility's share of change in net position (equity interest in joint venture income)	\$ (40,271)

An explosion at the facility on December 27, 2010 destroyed a building and certain plant equipment. KRMA has recorded a \$6,000,000 estimated insurance recovery related to the fair value of the loss assets based on consultant's estimates. The insurance company and management have not yet settled on a final amount. This estimate could significantly change.

Because of the explosion, KRMA properly submitted a claim to its insurer but is not anticipating receiving insurance proceeds until 2013. Therefore, KRMA required funding to facilitate repairs and reconstruction work at its facility before insurance proceeds arrived. KRMA entered into an agreement with the City on July 19, 2011, requiring the City to establish a \$2,500,000 line of credit at a local bank on behalf of KRMA. This agreement required KRMA to satisfy any balance due on the line of credit and pay all costs incurred by the City in establishing this line of credit. On January 17, 2012, the City and KRMA extended this line of credit to a maximum of \$5,000,000. The line of credit at April 30, 2013, had an outstanding balance of \$4,350,000.

As of April 30, 2013, the City has recorded in the Kankakee Environmental Services Utility Fund a note payable of \$4,350,000 and a due from joint venture in the amount of \$4,100,000. The Utility received a payment of \$250,000 from KRMA during the year.

Wi-Fi Kankakee, LLC

Effective May 15, 2006, pursuant to a joint operating agreement, the City and *Kankakee Daily Journal* (KDJ), a local newspaper company, formed a limited liability company named Wi-Fi Kankakee, LLC (Wi-Fi), with an equal ownership of 50 percent each for the City and KDJ. The purpose of Wi-Fi is to design, acquire, establish, install, operate, maintain and own a system by which authorized individual users (residents, businesses, visitors) may obtain and use, within the boundaries of the City, wireless access to the internet. The agreement requires each item of Wi-Fi's income, gain, loss, deduction and credit be allocated equally to the City and KDJ.

As of April 30, 2013, the City has recorded in the Environmental Services Utility Fund an investment in joint venture of \$(13,413) relative to its investment in Wi-Fi.

Audited financial statements of Wi-Fi are not available. At April 30, 2013, the City has recorded in the Environmental Services Utility Fund an equity interest in joint venture income (loss) of Wi-Fi in the amount of \$(5,975).

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 17 - RISK MANAGEMENT AND LITIGATION:

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City utilizes conventional outside insurance to cover its exposure to such liabilities and worker's compensation claims with standard retention levels. In addition, a safety committee works at prevention activities to keep risk exposure at a minimum level through employee education and monitoring of risk control activities. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. For insured programs there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The City is a defendant in various lawsuits. Most recently, the City has been named in two lawsuits in regards to its sales tax incentive agreements. See Note 18 for additional details about the agreements. The City has also been named in a lawsuit in regards to a contract for services dispute. Although the outcome of these lawsuits is presently not determinable, in the opinion of the City's Attorney and management, the resolution of these matters will not materially affect the financial condition of the City or any of the individual funds. Therefore, the General Fund contains no provision for estimated claims.

NOTE 18 - SALES TAX INCENTIVES:

The City has entered into various sales tax sharing agreements with several retail firms to generate additional revenue for the General Fund. These tax sharing programs are based on the retail firm's willingness to site a purchasing and/or a sales approval office within the boundaries of the City. These agreements provide for rebating a portion of the sales taxes generated on the transactions conducted within the City by the partnering firm. During the fiscal year ended April 30, 2013, \$12,670,343 in sales taxes were rebated under these agreements. At April 30, 2013, the City owed \$5,969,915 in sales tax incentives to various firms which are reflected in accounts payable in the General Fund.

NOTE 19 - DEFICIT FUND BALANCE:

At April 30, 2013, the following funds had a deficit fund balance. This deficit is not in violation of any state law.

Tax Increment Financing District No. 6 Fund	\$ 98,189
General Obligation Bonds, Series 2008	11,294
Indian Meadows Debt Service	296,938

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 20 – RESTATEMENT OF FUND EQUITY/NET POSITION:

The City has restated fund balance and net position for its fund financial statements and government-wide financial statements as of May 1, 2012, to correct the sales tax revenue recognized and related sales tax incentives expended in prior years, to remove assets erroneously capitalized in the prior year, to record refund of overpaid electric charges in prior years, and to adjust for bond issue cost no longer amortized by the adoption of GASB No. 65 (See Note 1Q).

<u>Fund Statements</u>	<u>General Fund</u>	<u>Kankakee Environmental Services Utility</u>
Fund balance / Net position, May 1, 2012, as previously reported	\$1,805,699	\$23,476,840
Restated for:		
Utility refund	\$220,783	
Sales tax revenue	1,261,892	
Sales tax incentives	(842,718)	
Capital assets		(110,293)
Bond issue costs		(239,820)
Prior period adjustment	639,957	(350,113)
Fund balance / Net position, May 1, 2012, restated	\$2,445,656	\$23,126,727
<u>Government-Wide Financial Statements</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net position, May 1, 2012, as previously reported	\$10,303,609	\$25,045,326
Restated for:		
Utility refund	\$220,783	
Sales tax revenue	1,261,892	
Sales tax incentives	(842,718)	
Capital assets		(110,293)
Bond issue cost	(1,301,883)	(239,820)
Prior period adjustment	(661,926)	(350,113)
Net position, May 1, 2012, restated	\$ 9,641,683	\$24,695,213

NOTE 21 – BOND REFUNDING:

Refunding of General Obligation Bonds, Series 2004

On November 1, 2012 the City issued \$3,790,000 of General Obligation Bonds, Series 2012B, with an average interest rate of 2.13 percent from which all of the proceeds were used to provide resources to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of current refunding \$3,825,000 of General Obligation Bonds, Series 2004 with an average interest rate of 3.65 percent.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 21 – BOND REFUNDING (Continued):

As a result of the above refunding, the refunded bonds were retired and liability was removed from the governmental activities column of the statement of net position. The reacquisition price was less than the net carrying amount of the old debt by \$651. This amount is being netted against the new debt and amortized over the lives of the refunded debt, which is shorter than the life of the new debt issued. The City decreased its total debt service requirements (difference between the cash flow requirements to service old and new debt) over the next 7 years by \$314,383, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$236,922.

Refunding of General Obligation Bonds, Series 2005

On October 11, 2012, the City issued \$3,915,000 of General Obligation Bonds, Series 2012A, with an average interest rate of 2.56 percent from which all the proceeds were used to provide resources to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of the advance refunding of \$3,745,000 of General Obligation Bonds, Series 2005 with an average interest rate of 4.34 percent.

As a result of the above refunding, the refunded bonds were retired and the liability was removed from the governmental activities column of the statements of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$147,105. This amount is being netted against the new debt and amortized over the lives of the refunded debt, which is the same as the life of the new debt issued. The City decreased its total debt service requirements (difference between the cash flow requirements to service old and new debt) over the next 11 years by \$277,189, which resulted in an economic gain (difference between the present value of the debt service payment on the old and new debt) of \$248,948.

NOTE 22 – SUBSEQUENT EVENTS:

On July 18, 2013, the City of Kankakee issued \$2,170,000 Taxable Sewer Revenue Bonds, Series 2013A, which matures serially May 2017 – 2025 at various interest rates. The purpose of these bonds is to pay back a loan from the City's General Fund and to provide funds to replenish the debt service reserve accounts in accordance with the sewer bond ordinance.

On July 18, 2013, the City of Kankakee issued \$3,550,000 Sewer Revenue Refunding Bonds, Series 2013B which is projected to mature serially May 2025 – 2033 at various interest rates. The purpose of these bonds is to advance refund \$505,000 of General Obligation Bonds, Series 2007A and \$2,375,000 of General Obligation Refunding Bonds, Series 2009B.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the year ended April 30, 2013

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Over (Under)
Revenues:				
Taxes	\$ 10,451,600	\$ 10,451,600	\$ 10,189,199	\$ (262,401)
Licenses, permits and fees	1,454,000	1,454,000	1,627,166	173,166
Charges for services	310,000	310,000	202,515	(107,485)
Fines and penalties	434,500	434,500	268,300	(166,200)
Intergovernmental	26,191,313	26,191,313	22,834,791	(3,356,522)
Interest			396	396
Miscellaneous	620,500	620,500	442,126	(178,374)
Total revenues	39,461,913	39,461,913	35,564,493	(3,897,420)
Expenditures:				
Current:				
General government	5,638,327	5,638,327	5,036,049	(602,278)
Public safety	16,119,585	16,119,585	16,720,832	601,247
Community development			2,262	2,262
Economic development	16,500,000	16,500,000	12,670,343	(3,829,657)
Debt Service:				
Principal retirement	10,000	10,000	10,000	-0-
Total expenditures	38,267,912	38,267,912	34,439,486	(3,828,426)
Excess (deficiency) of revenues over expenditures	1,194,001	1,194,001	1,125,007	(68,994)
Other financing sources (uses):				
Transfers:				
From other funds			120,000	120,000
To other funds	(950,000)	(950,000)	(950,000)	-0-
Total other financing sources (uses)	(950,000)	(950,000)	(830,000)	120,000
Net change in fund balance	\$ 244,001	\$ 244,001	295,007	\$ 51,006
Fund balance, May 1, 2012			1,805,699	
Prior period adjustment			639,957	
Fund balance, May 1, 2012, restated			2,445,656	
Fund balance, April 30, 2013			\$ 2,740,663	

CITY OF KANKAKEE, ILLINOIS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY COMPARISON SCHEDULE
April 30, 2013

NOTE 1 - BUDGETARY ACCOUNTING:

The City adopts annual budgets for the General Fund, Band Fund, Illinois Municipal Retirement Fund, Special Service Area No. 2 and Special Service Area No. 3. For Community Development Agency, Motor Fuel Tax, and Tax Increment Financing District funds, legally authorized non-appropriated budgets are utilized to control expenditures on a project (or designated purpose) basis and are carried forward each year until the project is completed or the grant award has been expended. No legally adopted budgets are prepared for capital projects funds and debt service funds. Expenditures for capital project funds are controlled on a project basis. Expenditures for debt service funds are controlled through general obligation bonds' indenture provisions. Budgets for enterprise funds serve as a spending guide for the City and do not constitute legally binding limitations.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the City Council's budget committee submits to the City Council a proposed operating budget for the fiscal year which had commenced May 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to August 1, the budget is legally enacted through passage of the annual appropriation ordinance. This ordinance places legal restrictions on expenditures at the department level for the General Fund and at the fund level for the Special Revenue Funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.
4. Revenues are budgeted by source. Although legal restrictions on expenditures are established at the department level for the General Fund and at the fund level for Special Revenue Funds, effective administrative control over expenditures is maintained through the establishment of more detailed line-item budgets such as personal services, materials and supplies, capital outlay, contractual and debt service. Expenditures are budgeted by fund and department and classified by function, activity and/or program. Management may transfer budgeted amounts between line items within a department in the General Fund and within a fund in the Special Revenue Funds without the approval of the City Council.
5. All budgets are adopted on a modified accrual basis. Unencumbered and unexpended appropriations lapse at fiscal year end.

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
ILLINOIS MUNICIPAL RETIREMENT FUND
April 30, 2013

Actuarial Valuation Date December 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) ---Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
2012	\$ 15,043,081	\$ 20,703,923	\$ 5,660,842	72.66%	\$ 5,950,270	95.14%
2011	15,490,536	20,485,433	4,994,897	75.62%	5,818,925	85.84%
2010	14,660,404	19,042,169	4,381,765	76.99%	5,853,164	74.86%
2009	14,047,445	17,989,344	3,941,899	78.09%	5,695,408	69.21%
2008	14,024,803	17,070,490	3,045,687	82.16%	5,655,415	53.85%
2007	16,700,977	16,228,325	(472,652)	102.91%	5,448,065	(8.68%)
2006	15,930,997	16,047,139	116,142	99.28%	5,300,924	2.19%
2005	15,029,323	14,644,035	(385,288)	102.63%	5,175,035	(7.45%)
2004	13,670,956	13,269,673	(401,283)	103.02%	5,070,450	(7.91%)
2003	14,944,651	13,991,022	(953,629)	106.82%	5,311,719	(17.95%)

On a market value basis, the actuarial value of assets as of December 31, 2012, is \$15,636,832. On a market basis, the funded ratio would be 75.53%.

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
POLICE PENSION FUND
April 30, 2013

Actuarial Valuation Date April 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) ---Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
2012	\$ 16,153,885	\$ 50,112,894	\$ 33,959,009	32.23%	\$ 5,040,621	673.71%
2011	15,528,178	47,690,763	32,162,585	32.56%	4,694,622	685.09%
2010	13,443,659	40,648,322	27,204,663	33.07%	4,888,208	556.54%
2009	11,900,298	35,675,410	23,775,112	33.36%	4,783,798	496.99%
2008	12,940,099	33,676,363	20,736,264	38.42%	4,367,019	474.84%
2007	12,567,316	31,376,263	18,808,947	40.05%	4,189,099	449.00%
2006	11,760,602	30,146,624	18,386,022	39.01%	4,088,956	449.65%
2005	11,178,721	27,683,110	16,504,389	40.38%	3,689,544	447.33%
2004	10,839,066	26,207,141	15,368,075	41.36%	3,697,174	415.67%
2003	10,140,012	24,391,727	14,251,715	41.57%	3,372,609	422.57%

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
FIREFIGHTERS' PENSION FUND
April 30, 2013

Actuarial Valuation Date April 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) ---Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
2012	\$ 8,874,137	\$ 44,289,836	\$ 35,415,699	20.04%	\$ 3,739,227	947.14%
2011	8,820,435	41,794,307	32,973,872	21.10%	3,680,655	895.87%
2010	8,284,059	37,037,202	28,753,143	22.37%	3,634,232	791.18%
2009	7,716,547	34,495,541	26,778,994	22.37%	3,666,627	730.34%
2008	10,207,462	31,736,197	21,528,735	32.16%	2,973,182	724.10%
2007	10,578,956	30,541,100	19,962,144	34.64%	3,008,348	663.56%
2006	10,236,367	29,094,938	18,858,571	35.18%	2,866,921	657.80%
2005	10,147,331	27,661,230	17,513,899	36.68%	2,673,932	654.99%
2004	10,431,881	26,119,708	15,687,827	39.94%	2,427,257	646.32%
2003	10,052,187	26,192,190	16,140,003	38.38%	2,352,187	686.17%

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFIT PLAN
April 30, 2013

Actuarial Valuation Date April 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry-Age Normal (b)	Funded Ratio (a/b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Active Members' Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
2013	\$ -0-	\$ 4,352,020	0.00%	\$ 4,352,020	\$ 14,730,118	29.55%
2012	-0-	5,835,321	0.00%	5,835,321	14,194,202	41.11%
2011	-0-	5,835,321	0.00%	5,835,321	14,375,604	40.59%
2010	-0-	3,220,549	0.00%	3,220,549	14,145,833	22.77%
2009	-0-	3,220,549	0.00%	3,220,549	12,852,862	25.06%

The City implemented GASB Statement No. 45 for the fiscal year ended April 30, 2009. Information for prior years is not available.

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
POLICE PENSION FUND
April 30, 2013

<u>Year Ended April 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2013	\$ 1,988,469	\$ 1,988,469	100.00%
2012	1,968,889	1,968,889	100.00%
2011	1,794,582	1,794,582	100.00%
2010	1,417,545	1,417,545	100.00%
2009	1,283,420	1,283,420	100.00%
2008	1,234,017	1,234,017	100.00%
2007	1,104,725	1,104,725	100.00%
2006	1,035,423	1,035,423	100.00%
2005	954,929	954,259	99.93%
2004	856,688	856,688	100.00%

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FIREFIGHTERS' PENSION FUND
April 30, 2013

<u>Year Ended April 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2013	\$ 2,075,813	\$ 2,075,813	100.00%
2012	2,117,020	2,117,020	100.00%
2011	2,046,132	2,046,132	100.00%
2010	1,518,183	1,518,183	100.00%
2009	1,400,985	1,400,985	100.00%
2008	1,303,662	1,303,662	100.00%
2007	1,222,675	1,222,675	100.00%
2006	1,082,677	1,082,677	100.00%
2005	1,085,807	1,090,926	100.47%
2004	984,722	984,722	100.00%

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POST-EMPLOYMENT BENEFIT PLAN
April 30, 2013

<u>Year Ended April 30,</u>	<u>Annual Required Contribution (ARC)</u>	<u>Employer Contributions</u>	<u>Percentage Contributed</u>
2013	\$ 363,074	\$ 145,422	40.05%
2012	363,074	145,422	40.05%
2011	202,103	112,792	55.81%
2010	202,103	112,792	55.81%
2009	204,545	112,792	55.14%

The City implemented GASB Statement No. 45 for the fiscal year ended April 30, 2009.
Information for prior years is not available.

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**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

**CITY OF KANKAKEE, ILLINOIS
MAJOR FUNDS**

General Fund

Accounts for all financial resources traditionally associated with governments which are not required to be accounted for in another fund.

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CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES AND COMPARISON TO BUDGET
GENERAL FUND
For the year ended April 30, 2013
(With comparative totals for 2012)

	Budgeted Amounts		2013	2012
	Original	Final	Actual	Actual (Restated)
Taxes:				
Property taxes	\$ 6,281,600	\$ 6,281,600	\$ 6,116,420	\$ 5,946,020
Utility taxes	4,170,000	4,170,000	4,072,779	3,856,223
Total taxes	10,451,600	10,451,600	10,189,199	9,802,243
Licenses, permits and fees:				
Business licenses	120,000	120,000	123,775	124,500
Other licenses	60,000	60,000	24,379	24,463
Franchise fees	300,000	300,000	361,693	346,441
Ambulance fees	500,000	500,000	538,059	497,449
Other permits and fees	474,000	474,000	579,260	375,882
Total licenses, permits and fees	1,454,000	1,454,000	1,627,166	1,368,735
Charges for services:				
Environmental Services Utility	180,000	180,000	54,827	57,940
Community Development Agency	89,000	89,000	100,000	100,000
Fire Department	26,000	26,000	35,898	27,475
Police Department	15,000	15,000	11,790	14,158
Total charges for services	310,000	310,000	202,515	199,573
Fines and penalties	434,500	434,500	268,300	369,452
Intergovernmental:				
State replacement income tax	659,000	659,000	681,707	644,096
State income tax	2,299,340	2,299,340	2,481,649	2,242,843
State sales tax	22,500,000	22,500,000	18,584,185	18,699,437
Local use tax	435,085	435,085	441,914	401,741
Grants from various governmental agencies	247,888	247,888	595,336	476,281
Kankakee River Metropolitan Agency	50,000	50,000	50,000	50,000
Total intergovernmental	26,191,313	26,191,313	22,834,791	22,514,398
Interest			396	1,232
Miscellaneous revenues	620,500	620,500	442,126	882,243
Total revenues	\$ 39,461,913	\$ 39,461,913	\$ 35,564,493	\$ 35,137,876

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EXPENDITURES AND COMPARISON TO BUDGET
GENERAL FUND
For the year ended April 30, 2013
(With comparative totals for 2012)

	Budgeted Amounts		2013	2012
	Original	Final	Actual	Actual (Restated)
General city government:				
Council	\$ 160,500	\$ 160,500	\$ 151,958	\$ 143,888
Mayor	101,783	101,783	119,561	110,117
Commissions and boards	33,200	33,200	25,563	14,057
City clerk	130,600	130,600	125,890	126,160
Central services	475,500	475,500	247,517	287,311
Collection	25,100	25,100	22,176	23,571
Computer operations	30,500	30,500	8,741	28,865
Corporate counsel	188,200	188,200	169,708	291,390
Adjudication	125,700	125,700	119,039	116,634
City planning	41,700	41,700	4,327	3,810
Public buildings and grounds	125,000	125,000	145,250	129,688
Community promotion	101,800	101,800	125,829	111,319
Human relations	101,750	101,750	96,876	94,478
Group insurance	1,475,000	1,475,000	1,462,982	1,483,258
Liability and workers compensation insurance	1,650,000	1,650,000	1,515,052	1,409,726
Unemployment tax	100,000	100,000	63,020	41,878
Transportation support	76,000	76,000	75,988	76,003
Other	695,994	695,994	556,572	796,000
Total general city government	5,638,327	5,638,327	5,036,049	5,288,153
Public safety - police department:				
Administration and operations	5,825,038	5,825,038	6,293,857	6,252,964
Training	44,800	44,800	21,470	26,222
Records	299,578	299,578	325,204	304,386
Communications	749,439	749,439	745,861	720,051
Detention and custody	21,400	21,400	52,891	55,289
Pension contribution	1,988,469	1,988,469	2,103,081	1,968,889
Total public safety - police department	8,928,724	8,928,724	9,542,364	9,327,801
Public safety - fire department:				
Administration	665,412	665,412	735,562	738,092
Training	126,173	126,173	123,960	93,049
Alarm and communications system	12,600	12,600	6,118	1,329
Supplies and maintenance	20,200	20,200		
Fire prevention	250,787	250,787	246,814	243,629
Fire fighting force	2,386,636	2,386,636	2,142,233	2,145,397
Emergency service	889,335	889,335	987,529	947,831
Pension contribution	2,075,813	2,075,813	2,197,060	2,117,020
Total public safety - fire department	6,426,956	6,426,956	6,439,276	6,286,347

(Continued)

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EXPENDITURES AND COMPARISON TO BUDGET
GENERAL FUND

(Continued)

For the year ended April 30, 2013
(With comparative totals for 2012)

	Budgeted Amounts		2013	2012
	Original	Final	Actual	Actual (Restated)
Public safety - code enforcement:				
Property maintenance	\$ 506,249	\$ 506,249	\$ 515,157	\$ 575,717
Building safety	162,156	162,156	151,784	156,462
Total public safety - code enforcement	668,405	668,405	666,941	732,179
Public safety:				
Animal control	30,000	30,000	25,145	27,655
Crossing guards	65,500	65,500	47,106	
Total public safety - other	95,500	95,500	72,251	27,655
Community development:				
Residential rehabilitation			2,262	
Economic development:				
Sales tax incentives	16,500,000	16,500,000	12,670,343	12,250,191
Other incentives				1,635
Total economic development	16,500,000	16,500,000	12,670,343	12,251,826
Debt service:				
Principal retirement	10,000	10,000	10,000	10,000
Total expenditures	\$ 38,267,912	\$ 38,267,912	\$ 34,439,486	\$ 33,923,961

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**CITY OF KANKAKEE, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS**

SPECIAL REVENUE FUNDS

Band Fund

Accounts for the revenues and expenditures related to the City's financial support provided to the Kankakee Municipal Band.

Illinois Municipal Retirement Fund

Accounts for the expenditures related to the state-administered retirement system which is available to general service employees and which is financed through taxation and contributions from employees, and to the City (employer) FICA, Medicare, and state unemployment taxes, all of which are financed through taxation.

Special Service Area No. 2

Accounts for the revenues and expenditures related to the maintenance and repairs of ornamental street lights in the Riverview Historic District.

Special Service Area No. 3

Accounts for the revenues and expenditures related to the Coachlight Square lighting improvement project which was financed through local borrowing and property taxes.

Special Service Area No. 5

Accounts for the revenues and expenditures of maintenance and repairs to the street and roadway infrastructure in the East Side Business District.

Community Development Agency

Accounts for the revenues and expenditures of the Community Development Block Grant Program and various other federal grant programs.

Tax Increment Financing Districts Nos. 1, 5, 6, 7 and 8

TIF Districts No. 1, 5, 6, 7 and 8 are trust funds established to finance redevelopment project costs in connection with various "blighted redevelopment project areas" throughout the City. The project areas are redeveloped through the use of incremental property tax revenues generated by related redevelopment projects.

Motor Fuel Tax Fund

Accounts for the expenditures related to state-approved projects which are financed from the local share of the state gasoline tax as collected and distributed by the State of Illinois.

**CITY OF KANKAKEE, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS**

DEBT SERVICE FUNDS

General Obligations Bonds

Each series of general obligation bonds issued is set apart as an individual fund that is used to account for the accumulation of resources for the payment of debt principal, interest and related costs of each respective issue.

CITY OF KANKAKEE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
April 30, 2013

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
Assets			
Cash and investments	\$ 3,728,603	\$ 191,030	\$ 3,919,633
Receivables, less allowance for uncollectible amounts:			
Property taxes	3,141,500	5,424,748	8,566,248
Due from other governmental agencies	286,686		286,686
Due from other funds	172,221	333,290	505,511
Due from component units	9,941		9,941
Accounts receivable	539,359		539,359
Total assets	<u>\$ 7,878,310</u>	<u>\$ 5,949,068</u>	<u>\$13,827,378</u>
Liabilities			
Accounts payable	\$ 62,519	\$ 477	\$ 62,996
Accrued wages payable	31,032		31,032
Due to other funds	685,364	408,867	1,094,231
Due to component units	108,145		108,145
Total liabilities	<u>887,060</u>	<u>409,344</u>	<u>1,296,404</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	3,141,500	5,424,748	8,566,248
Unavailable loan receivable	537,705		537,705
Total deferred inflows of resources	<u>3,679,205</u>	<u>5,424,748</u>	<u>9,103,953</u>
Fund Balance			
Restricted for:			
Debt service		423,208	423,208
Street maintenance programs	1,418,250		1,418,250
Economic development	1,345,886		1,345,886
Culture and recreation	19,077		19,077
Retirement obligations	475,718		475,718
Community development	151,303		151,303
Unassigned (deficit)	(98,189)	(308,232)	(406,421)
Total fund balance	<u>3,312,045</u>	<u>114,976</u>	<u>3,427,021</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 7,878,310</u>	<u>\$ 5,949,068</u>	<u>\$13,827,378</u>

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended April 30, 2013

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
Revenues:			
Property taxes	\$ 2,975,810	\$ 4,785,871	\$ 7,761,681
Special assessments		6,062	6,062
Intergovernmental	2,710,950		2,710,950
Interest income	1,402	44,797	46,199
Miscellaneous	12,813		12,813
Total revenues	<u>5,700,975</u>	<u>4,836,730</u>	<u>10,537,705</u>
Expenditures:			
Current:			
General government	822,927		822,927
Highways and streets	560,717		560,717
Community development	1,855,275		1,855,275
Culture and recreation	16,000		16,000
Economic development	235,697		235,697
Debt service:			
Principal retirement		4,889,698	4,889,698
Interest and fiscal charges	7,670	2,772,006	2,779,676
Total expenditures	<u>3,498,286</u>	<u>7,661,704</u>	<u>11,159,990</u>
Excess (deficiency) of revenues over expenditures	<u>2,202,689</u>	<u>(2,824,974)</u>	<u>(622,285)</u>
Other financing sources (uses):			
Issuance of refunding bonds		7,705,000	7,705,000
Premium on issuance of refunding bonds		156,663	156,663
Payment to refunded debt escrow		(7,716,454)	(7,716,454)
Transfers:			
From other funds	5,352	2,730,823	2,736,175
To other funds	(1,686,841)	(238,062)	(1,924,903)
Total other financing sources (uses)	<u>(1,681,489)</u>	<u>2,637,970</u>	<u>956,481</u>
Net change in fund balances	521,200	(187,004)	334,196
Fund balance, May 1, 2012	<u>2,790,845</u>	<u>301,980</u>	<u>3,092,825</u>
Fund balance, April 30, 2013	<u>\$ 3,312,045</u>	<u>\$ 114,976</u>	<u>\$ 3,427,021</u>

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CITY OF KANKAKEE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
April 30, 2013

	<u>Band Fund</u>	<u>Illinois Municipal Retirement Fund</u>	<u>Special Service Area No. 2</u>
Assets			
Cash and investments	\$ 19,077	\$ 523,310	\$ 33,675
Receivables, less allowance for uncollectible amounts:			
Property taxes	16,000	837,000	3,000
Due from other governmental agencies		8,156	
Due from other funds		9,941	
Due from component units		439	
Accounts receivable			
Total assets	<u>\$ 35,077</u>	<u>\$ 1,378,846</u>	<u>\$ 36,675</u>
Liabilities			
Accounts payable		\$ 35,096	
Accrued wages payable		31,032	
Due to other funds			
Due to component units			
Total liabilities	<u>\$ -0-</u>	<u>66,128</u>	<u>\$ -0-</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	16,000	837,000	3,000
Unavailable loan receivable			
Total deferred inflows of resources	<u>16,000</u>	<u>837,000</u>	<u>3,000</u>
Fund Balance			
Restricted for:			
Street maintenance program			
Economic development			33,675
Culture and recreation	19,077		
Retirement obligations		475,718	
Community development			
Unassigned (deficit)			
Total fund balance (deficit)	<u>19,077</u>	<u>475,718</u>	<u>33,675</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 35,077</u>	<u>\$ 1,378,846</u>	<u>\$ 36,675</u>

<u>Special Service Area No. 3</u>	<u>Special Service Area No. 5</u>	<u>Community Development Agency</u>	<u>Motor Fuel Tax Fund</u>	<u>Increment Financing District No. 1 Fund</u>	<u>Increment Financing District No. 5 Fund</u>
\$ 49,918	\$ 112,945	\$ 172,066	\$ 1,448,681	\$ 494,179	\$ 73,109
3,500	16,800			880,200	187,300
		238,923	47,763		
				141,630	9,930
		538,920			
<u>\$ 53,418</u>	<u>\$ 129,745</u>	<u>\$ 949,909</u>	<u>\$ 1,496,444</u>	<u>\$ 1,516,009</u>	<u>\$ 270,339</u>
		\$ 27,423			
		225,680	\$ 78,194	\$ 277,438	
		7,798		100,347	
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>260,901</u>	<u>78,194</u>	<u>377,785</u>	<u>\$ -0-</u>
3,500	16,800			880,200	187,300
		537,705			
<u>3,500</u>	<u>16,800</u>	<u>537,705</u>	<u>-0-</u>	<u>880,200</u>	<u>187,300</u>
			1,418,250		
49,918	112,945			258,024	83,039
		151,303			
<u>49,918</u>	<u>112,945</u>	<u>151,303</u>	<u>1,418,250</u>	<u>258,024</u>	<u>83,039</u>
<u>\$ 53,418</u>	<u>\$ 129,745</u>	<u>\$ 949,909</u>	<u>\$ 1,496,444</u>	<u>\$ 1,516,009</u>	<u>\$ 270,339</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
(Continued)
April 30, 2013

	Increment Financing District No. 6 Fund	Increment Financing District No. 7 Fund	Increment Financing District No. 8 Fund	Totals
Assets				
Cash and investments		\$ 96,468	\$ 705,175	\$ 3,728,603
Receivables, less allowance for uncollectible amounts:				
Property taxes	\$ 222,300	36,800	938,600	3,141,500
Due from other governmental agencies				286,686
Due from other funds		12,505		172,221
Due from component units				9,941
Accounts receivable				539,359
Total assets	<u>\$ 222,300</u>	<u>\$ 145,773</u>	<u>\$ 1,643,775</u>	<u>\$ 7,878,310</u>
Liabilities				
Accounts payable				\$ 62,519
Accrued wages payable				31,032
Due to other funds	\$ 98,189		\$ 5,863	685,364
Due to component units				108,145
Total liabilities	<u>98,189</u>	<u>\$ -0-</u>	<u>5,863</u>	<u>887,060</u>
Deferred Inflows of Resources				
Unavailable property tax revenue	222,300	36,800	938,600	3,141,500
Unavailable loan receivable				537,705
Total deferred inflows of resources	<u>222,300</u>	<u>36,800</u>	<u>938,600</u>	<u>3,679,205</u>
Fund Balance				
Restricted for:				
Street maintenance program				1,418,250
Economic development		108,973	699,312	1,345,886
Culture and recreation				19,077
Retirement obligations				475,718
Community development				151,303
Unassigned (deficit)	(98,189)			(98,189)
Total fund balance (deficit)	<u>(98,189)</u>	<u>108,973</u>	<u>699,312</u>	<u>3,312,045</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 222,300</u>	<u>\$ 145,773</u>	<u>\$ 1,643,775</u>	<u>\$ 7,878,310</u>

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CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the year ended April 30, 2013

	<u>Band Fund</u>	<u>Illinois Municipal Retirement Fund</u>	<u>Special Service Area No. 2</u>
Revenues:			
Property taxes	\$ 17,085	\$ 788,289	\$ 2,873
Intergovernmental			
Interest income	1	22	
Miscellaneous			
	<hr/>	<hr/>	<hr/>
Total revenues	<u>17,086</u>	<u>788,311</u>	<u>2,873</u>
Expenditures:			
Current:			
General government		718,605	
Highways and streets			
Community development			
Culture and recreation	16,000		
Economic development			
Debt service:			
Interest and fiscal charges			
	<hr/>	<hr/>	<hr/>
Total expenditures	<u>16,000</u>	<u>718,605</u>	<u>-0-</u>
Excess (deficiency) of revenues over expenditures	<u>1,086</u>	<u>69,706</u>	<u>2,873</u>
Other financing sources (uses):			
Transfer from other funds			
Transfer to other funds			
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net change in fund balances	1,086	69,706	2,873
Fund balance (deficit), May 1, 2012	<u>17,991</u>	<u>406,012</u>	<u>30,802</u>
Fund balance (deficit), April 30, 2013	<u><u>\$ 19,077</u></u>	<u><u>\$ 475,718</u></u>	<u><u>\$ 33,675</u></u>

<u>Special Service Area No. 3</u>	<u>Special Service Area No. 5</u>	<u>Community Development Agency</u>	<u>Motor Fuel Tax Fund</u>	<u>Tax Increment Financing District No. 1 Fund</u>	<u>Tax Increment Financing District No. 5 Fund</u>
\$ 3,137	\$ 15,879	\$ 1,861,529	\$ 849,421 765	\$ 855,749 24	\$ 173,735
		12,813			
<u>3,137</u>	<u>15,879</u>	<u>1,874,342</u>	<u>850,186</u>	<u>855,773</u>	<u>173,735</u>
		104,322			
	1,200	1,855,275	559,517		
				230,963	1,642
		7,670			
<u>-0-</u>	<u>1,200</u>	<u>1,967,267</u>	<u>559,517</u>	<u>230,963</u>	<u>1,642</u>
<u>3,137</u>	<u>14,679</u>	<u>(92,925)</u>	<u>290,669</u>	<u>624,810</u>	<u>172,093</u>
			5,352 (136,668)	(481,725)	(127,084)
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(131,316)</u>	<u>(481,725)</u>	<u>(127,084)</u>
3,137	14,679	(92,925)	159,353	143,085	45,009
<u>46,781</u>	<u>98,266</u>	<u>244,228</u>	<u>1,258,897</u>	<u>114,939</u>	<u>38,030</u>
<u>\$ 49,918</u>	<u>\$ 112,945</u>	<u>\$ 151,303</u>	<u>\$ 1,418,250</u>	<u>\$ 258,024</u>	<u>\$ 83,039</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
(Continued)
For the year ended April 30, 2013

	Tax Increment Financing District No. 6 Fund	Tax Increment Financing District No. 7 Fund	Tax Increment Financing District No. 8 Fund	Totals
Revenues:				
Property taxes	\$ 204,440	\$ 51,398	\$ 863,225	\$ 2,975,810
Intergovernmental				2,710,950
Interest income	6	100	484	1,402
Miscellaneous				12,813
Total revenues	204,446	51,498	863,709	5,700,975
Expenditures:				
Current:				
General government				822,927
Highways and streets				560,717
Community development				1,855,275
Culture and recreation				16,000
Economic development	900	917	1,275	235,697
Debt service:				
Interest and fiscal charges				7,670
Total expenditures	900	917	1,275	3,498,286
Excess (deficiency) of revenues over expenditures	203,546	50,581	862,434	2,202,689
Other financing sources (uses):				
Transfer from other funds				5,352
Transfer to other funds	(278,763)	(37,308)	(625,293)	(1,686,841)
Total other financing sources (uses)	(278,763)	(37,308)	(625,293)	(1,681,489)
Net change in fund balances	(75,217)	13,273	237,141	521,200
Fund balance (deficit), May 1, 2012	(22,972)	95,700	462,171	2,790,845
Fund balance (deficit), April 30, 2013	<u>\$ (98,189)</u>	<u>\$ 108,973</u>	<u>\$ 699,312</u>	<u>\$ 3,312,045</u>

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
BAND FUND
For the year ended April 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 16,000	\$ 16,000	\$ 17,085	\$ 1,085
Interest income			<u>1</u>	<u>1</u>
Total revenues	16,000	16,000	17,086	1,086
Expenditures:				
Current:				
Culture and recreation	<u>16,000</u>	<u>16,000</u>	<u>16,000</u>	<u>-0-</u>
Net change in fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	1,086	<u>\$ 1,086</u>
Fund balance, May 1, 2012			<u>17,991</u>	
Fund balance, April 30, 2013			<u>\$ 19,077</u>	

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ILLINOIS MUNICIPAL RETIREMENT FUND
For the year ended April 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 810,000	\$ 810,000	\$ 788,289	\$ (21,711)
Interest income			22	22
Total revenues	810,000	810,000	788,311	(21,689)
Expenditures:				
Current:				
General government	810,000	810,000	718,605	(91,395)
Net change in fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	69,706	<u>\$ 69,706</u>
Fund balance, May 1, 2012			<u>406,012</u>	
Fund balance, April 30, 2013			<u>\$ 475,718</u>	

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL SERVICE AREA NO. 2
For the year ended April 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 3,000	\$ 3,000	\$ 2,873	\$ (127)
Expenditures:				
Current:				
Economic development	<u>3,000</u>	<u>3,000</u>		<u>(3,000)</u>
Net change in fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	2,873	<u>\$ 2,873</u>
Fund balance, May 1, 2012			<u>30,802</u>	
Fund balance, April 30, 2013			<u>\$ 33,675</u>	

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL SERVICE AREA NO. 3
For the year ended April 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 4,500	\$ 4,500	\$ 3,137	\$ (1,363)
Expenditures:				
Current:				
Economic development	<u>4,500</u>	<u>4,500</u>		<u>(4,500)</u>
Net change in fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	3,137	<u>\$ 3,137</u>
Fund balance, May 1, 2012			<u>46,781</u>	
Fund balance, April 30, 2013			<u>\$ 49,918</u>	

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CITY OF KANKAKEE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
April 30, 2013

	General Obligation Bonds, Series 2003B	General Obligation Bonds, Series 2004	General Obligation Bonds, Series 2005	General Obligation Bonds, Series 2006
Assets				
Cash and investments			\$ 25,785	\$ 27,172
Receivables, less allowance for uncollectible amounts:				
Property taxes			474,460	342,360
Due from other funds			52,971	55,000
Total assets	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 553,216</u>	<u>\$ 424,532</u>
Liabilities				
Accounts payable				
Due to other funds				\$ 3,500
Total liabilities	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>3,500</u>
Deferred Inflows of Resources				
Unavailable property tax revenue	<u>-0-</u>	<u>-0-</u>	<u>474,460</u>	<u>342,360</u>
Fund Balance				
Restricted for debt service			78,756	78,672
Unassigned (deficit)				
Total fund balance	<u>-0-</u>	<u>-0-</u>	<u>78,756</u>	<u>78,672</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 553,216</u>	<u>\$ 424,532</u>

<u>General Obligation Bonds, Series 2007A</u>	<u>Indian Meadows Debt Service</u>	<u>General Obligation Bonds, Series 2008</u>	<u>General Obligation Bonds, Series 2009</u>	<u>General Obligation Bonds, Series 2011</u>	<u>General Obligation Bonds, Series 2012</u>	<u>Totals</u>
\$ 675			\$ 32,201	\$ 66,674	\$ 38,523	\$ 191,030
	\$ 375,897	\$ 284,980	1,743,150	1,844,231	359,670	5,424,748
			36,295	139,024	50,000	333,290
<u>\$ 675</u>	<u>\$ 375,897</u>	<u>\$ 284,980</u>	<u>\$ 1,811,646</u>	<u>\$ 2,049,929</u>	<u>\$ 448,193</u>	<u>\$ 5,949,068</u>
	\$ 296,938	\$ 11,294	\$ 20,792		\$ 477	\$ 477
					76,343	408,867
<u>\$ -0-</u>	<u>296,938</u>	<u>11,294</u>	<u>20,792</u>	<u>\$ -0-</u>	<u>76,820</u>	<u>409,344</u>
<u>-0-</u>	<u>375,897</u>	<u>284,980</u>	<u>1,743,150</u>	<u>1,844,231</u>	<u>359,670</u>	<u>5,424,748</u>
675	(296,938)	(11,294)	47,704	205,698	11,703	423,208
						(308,232)
<u>675</u>	<u>(296,938)</u>	<u>(11,294)</u>	<u>47,704</u>	<u>205,698</u>	<u>11,703</u>	<u>114,976</u>
<u>\$ 675</u>	<u>\$ 375,897</u>	<u>\$ 284,980</u>	<u>\$ 1,811,646</u>	<u>\$ 2,049,929</u>	<u>\$ 448,193</u>	<u>\$ 5,949,068</u>

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
For the year ended April 30, 2013

	General Obligation Bonds, Series 2003B	General Obligation Bonds, Series 2004	General Obligation Bonds, Series 2005	General Obligation Bonds, Series 2006
Revenues:				
Property taxes		\$ 425,274	\$ 530,405	\$ 331,112
Special assessments				
Interest income		12	14	9
Total revenues	\$ -0-	425,286	530,419	331,121
Expenditures:				
Debt service:				
Principal retirement	340,000	290,000	520,000	320,000
Interest and fiscal charges	12,325	215,255	372,205	404,845
Total expenditures	352,325	505,255	892,205	724,845
Excess (deficiency) of revenues over expenditures	(352,325)	(79,969)	(361,786)	(393,724)
Other financing sources (uses):				
Issuance of refunding bonds		3,790,000	3,915,000	
Premium on issuance of bonds		107,212	49,451	
Payment to refunded debt escrow		(3,824,349)	(3,892,105)	
Transfers:				
From other funds	352,325	127,084	278,763	380,473
To other funds		(233,118)	(4,944)	
Total other financing sources (uses)	352,325	(33,171)	346,165	380,473
Net change in fund balance	-0-	(113,140)	(15,621)	(13,251)
Fund balance (deficit), May 1, 2012	-0-	113,140	94,377	91,923
Fund balance (deficit), April 30, 2013	\$ -0-	\$ -0-	\$ 78,756	\$ 78,672

General Obligation Bonds, Series 2007A	Indian Meadows Debt Service	General Obligation Bonds, Series 2008	General Obligation Bonds, Series 2009	General Obligation Bonds, Series 2011	General Obligation Bonds, Series 2012	Totals
		\$ 276,815	\$ 1,525,553	\$ 1,696,712		\$ 4,785,871
	\$ 6,062					6,062
	44,663	8	43	48		44,797
<u>\$ -0-</u>	<u>50,725</u>	<u>276,823</u>	<u>\$ 1,525,596</u>	<u>\$ 1,696,760</u>	<u>\$ -0-</u>	<u>4,836,730</u>
225,000	294,698		1,525,000	1,295,000	80,000	4,889,698
202,183	81,273	284,975	843,055	306,013	49,877	2,772,006
<u>427,183</u>	<u>375,971</u>	<u>284,975</u>	<u>2,368,055</u>	<u>1,601,013</u>	<u>129,877</u>	<u>7,661,704</u>
<u>(427,183)</u>	<u>(325,246)</u>	<u>(8,152)</u>	<u>(842,459)</u>	<u>95,747</u>	<u>(129,877)</u>	<u>(2,824,974)</u>
						7,705,000
						156,663
						(7,716,454)
427,183			797,533	230,389	137,073	2,730,823
						(238,062)
<u>427,183</u>	<u>-0-</u>	<u>-0-</u>	<u>797,533</u>	<u>230,389</u>	<u>137,073</u>	<u>2,637,970</u>
-0-	(325,246)	(8,152)	(44,926)	326,136	7,196	(187,004)
675	28,308	(3,142)	92,630	(120,438)	4,507	301,980
<u>\$ 675</u>	<u>\$ (296,938)</u>	<u>\$ (11,294)</u>	<u>\$ 47,704</u>	<u>\$ 205,698</u>	<u>\$ 11,703</u>	<u>\$ 114,976</u>

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CITY OF KANKAKEE, ILLINOIS
FIDUCIARY FUNDS

Police Pension Fund

A pension trust which accounts for the police officers' pension fund. Revenue includes City contributions, contributions from participants and investment earnings.

Firefighters' Pension Fund

A pension trust which accounts for the firefighters' pension fund. Revenue includes City contributions, contributions from participants and investment earnings.

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CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
April 30, 2013

	Police Pension Fund	Firefighters' Pension Fund	Totals
Assets			
Cash and short-term investments	\$ 1,734,906	\$ 1,215,344	\$ 2,950,250
Receivables, less allowance for uncollectible amounts:			
Employee contributions	42,328	14,522	56,850
Interest	39,667	35,640	75,307
Investments, at fair value:			
Open-end mutual funds	3,318,910	3,978,736	7,297,646
Corporate securities	4,005,834		4,005,834
U. S. treasury and agency securities	4,457,112	2,828,140	7,285,252
Corporate bonds	2,134,001	1,272,179	3,406,180
State and local obligations	302,078	154,529	456,607
Prepaid items		8,919	8,919
Total assets	16,034,836	9,508,009	25,542,845
Liabilities			
Benefits and other payables	182,649	219,345	401,994
Net Position			
Net position held in trust for pension benefits	<u>\$15,852,187</u>	<u>\$ 9,288,664</u>	<u>\$25,140,851</u>

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
For the year ended April 30, 2013

	Police Pension Fund	Firefighters' Pension Fund	Totals
Additions:			
Contributions:			
Employer	\$ 2,103,081	\$ 2,197,061	\$ 4,300,142
Employee	509,421	356,887	866,308
Total contributions	2,612,502	2,553,948	5,166,450
Investment income:			
Net change in fair value of investments	1,027,623	231,897	1,259,520
Interest and dividends	331,423	293,744	625,167
	1,359,046	525,641	1,884,687
Less: investment expense	(92,376)	(58,863)	(151,239)
Net investment income	1,266,670	466,778	1,733,448
Total additions	3,879,172	3,020,726	6,899,898
Deductions:			
Benefits	2,163,068	2,576,772	4,739,840
Administrative expenses	29,334	29,427	58,761
Total deductions	2,192,402	2,606,199	4,798,601
Change in net position-restricted for pension benefits	1,686,770	414,527	2,101,297
Net position held in trust for pension benefits:			
May 1, 2012	14,165,417	8,874,137	23,039,554
April 30, 2013	<u>\$ 15,852,187</u>	<u>\$ 9,288,664</u>	<u>\$ 25,140,851</u>

**CITY OF KANKAKEE, ILLINOIS
COMPONENT UNITS**

Kankakee Public Library

Accounts for the revenues and expenses of the local public library. A majority of the revenues are from a property tax levy approved by the City Council.

Special Service Are #1

Accounts for activities to promote and develop downtown Kankakee. The major source of revenues is from a property tax levy approved by the City Council.

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CITY OF KANKAKEE, ILLINOIS
DISCRETELY PRESENTED COMPONENT UNIT - KANKAKEE PUBLIC LIBRARY
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
April 30, 2013

	<u>General Operating</u>	<u>Adjustment</u>	<u>Statement of Net Position</u>
Assets			
Cash and investments	\$ 618,697		\$ 618,697
Receivables, less allowance for uncollectible amounts:			
Property taxes	1,691,870		1,691,870
Capital assets:			
Depreciable (net of accumulated depreciation)	<u> </u>	\$ 6,516,163	<u>6,516,163</u>
Total assets	<u>\$ 2,310,567</u>	<u>\$ 6,516,163</u>	<u>\$ 8,826,730</u>
Liabilities			
Accounts payable	\$ 21,364		\$ 21,364
Due to primary government	74,232		74,232
Long-term liabilities:			
Due within one year		\$ 120,533	120,533
Due within more than one year		<u>2,607,863</u>	<u>2,607,863</u>
Total liabilities	<u>95,596</u>	<u>2,728,396</u>	<u>2,823,992</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	1,691,870		1,691,870
Deferred grant revenue	<u>2,084</u>		<u>2,084</u>
Total deferred inflows of resources	<u>1,693,954</u>	<u>-0-</u>	<u>1,693,954</u>
Fund Balance / Net Position			
Net investment in capital assets		3,787,767	3,787,767
Unassigned / Unrestricted	<u>521,017</u>		<u>521,017</u>
Total fund balances/net position	<u>521,017</u>	<u>3,787,767</u>	<u>4,308,784</u>
Total liabilities, deferred inflows of resources and fund balances/net position	<u>\$ 2,310,567</u>	<u>\$ 6,516,163</u>	<u>\$ 8,826,730</u>

CITY OF KANKAKEE, ILLINOIS
DISCRETELY PRESENTED COMPONENT UNIT - KANKAKEE PUBLIC LIBRARY
STATEMENT OF ACTIVITIES AND GOVERNMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the year ended April 30, 2013

	General Operating	Adjustment	Statement of Activities
Revenues:			
Property taxes	\$ 1,644,906		\$ 1,644,906
Fees	91,821		91,821
Intergovernmental	45,204		45,204
Interest	1,989		1,989
Other	130,925		130,925
Total revenues	<u>1,914,845</u>	<u>\$ -0-</u>	<u>1,914,845</u>
Expenditures/expenses:			
Current:			
Culture and recreation	1,602,295	112,754	1,715,049
Debt service:			
Principal retirement	114,666	(114,666)	-0-
Interest and fiscal charges	139,549		139,549
Total expenditures/expenses	1,856,510	(1,912)	1,854,598
Net change in fund balances/net position	58,335	1,912	60,247
Fund balances/net position, May 1, 2012	<u>462,682</u>	<u>3,785,855</u>	<u>4,248,537</u>
Fund balances/net position, April 30, 2013	<u>\$ 521,017</u>	<u>\$ 3,787,767</u>	<u>\$ 4,308,784</u>

CITY OF KANKAKEE, ILLINOIS
DISCRETELY PRESENTED COMPONENT UNIT - SPECIAL SERVICE AREA NO. 1
STATEMENT OF NET POSITION AND GOVERNMENT FUND BALANCE SHEET
April 30, 2013

	<u>General Operating</u>	<u>Adjustment</u>	<u>Statement of Net Position</u>
Assets			
Cash and investments	\$ 79,972		\$ 79,972
Receivables, less allowance for uncollectible amounts:			
Property taxes	125,800		125,800
Due from primary government	108,145		108,145
Capital assets:			
Depreciable (net of accumulated depreciation)	<u> </u>	\$ 820,154	<u>820,154</u>
 Total assets	 <u>\$ 313,917</u>	 <u>\$ 820,154</u>	 <u>\$ 1,134,071</u>
Liabilities			
Accounts payable	<u>\$ 6,232</u>		<u>\$ 6,232</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	<u>125,800</u>		<u>125,800</u>
Fund Balance / Net Position			
Net investment in capital assets		\$ 820,154	820,154
Unassigned / Unrestricted	<u>181,885</u>		<u>181,885</u>
Total fund balances/net position	<u>181,885</u>	<u>820,154</u>	<u>1,002,039</u>
Total liabilities, deferred inflows of resources and fund balances/net position	<u>\$ 313,917</u>	<u>\$ 820,154</u>	<u>\$ 1,134,071</u>

CITY OF KANKAKEE, ILLINOIS
DISCRETELY PRESENTED COMPONENT UNIT - SPECIAL SERVICE AREA NO. 1
STATEMENT OF ACTIVITIES AND GOVERNMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the year ended April 30, 2013

	General Operating	Adjustment	Statement of Activities
Revenues:			
Property taxes	\$ 119,685		\$ 119,685
Interest	316		316
Other	15,879		15,879
Total revenues	135,880	\$ -0-	135,880
Expenditures/expenses:			
Current:			
General government	213,141	54,918	268,059
Net change in fund balances/net position	(77,261)	(54,918)	(132,179)
Fund balances/net position, May 1, 2012	259,146	875,072	1,134,218
Fund balances/net position, April 30, 2013	<u>\$ 181,885</u>	<u>\$ 820,154</u>	<u>\$ 1,002,039</u>

CITY OF KANKAKEE, ILLINOIS
PROPERTY TAXES RECEIVABLE
2012 LEVY TO BE COLLECTED IN 2013
April 30, 2013

	<u>Taxes extended</u>	<u>Estimated losses</u>	<u>Estimated net taxes receivable</u>
Primary Government:			
General Fund	\$ 6,639,500	\$ 7,300	\$ 6,632,200
Special revenue funds:			
Band Fund	16,550	550	16,000
Illinois Municipal Retirement Fund	839,296	2,296	837,000
Special Service Area No. 2	3,039	39	3,000
Special Service Area No. 3	3,554	54	3,500
Special Service Area No. 5	16,850	50	16,800
Tax Increment Financing District #1	880,245	45	880,200
Tax Increment Financing District #5	187,332	32	187,300
Tax Increment Financing District #6	222,301	1	222,300
Tax Increment Financing District #7	36,879	79	36,800
Tax Increment Financing District #8	938,643	43	938,600
Total special revenue funds	3,144,689	3,189	3,141,500
Debt service funds	5,425,868	1,120	5,424,748
Total Primary Government	<u>\$ 15,210,057</u>	<u>\$ 11,609</u>	<u>\$ 15,198,448</u>
Component Units:			
Library	\$ 1,692,776	\$ 906	\$ 1,691,870
Special Service Area No. 1	125,858	58	125,800
Total Component Units	<u>\$ 1,818,634</u>	<u>\$ 964</u>	<u>\$ 1,817,670</u>

CITY OF KANKAKEE, ILLINOIS
PROPRIETARY FUND TYPES
KANKAKEE ENVIRONMENTAL SERVICES UTILITY FUND
SCHEDULE OF BOND RATE COVENANT CALCULATION
April 30, 2013

Debt service requirements	\$ 871,813	
120% covenant	<u>x 120%</u>	
Total required revenues	<u>\$ 1,046,176</u>	
Net revenues generated by sewer utility:		
Sewer charges	\$ 9,293,626	
Utility operations expenses	<u>(4,211,787)</u>	
Net revenues generated	5,081,839	
Sewer Utility's share of Kankakee River Metropolitan		
Agency's plant operations expenses	<u>(4,162,595)</u>	
Total net revenues available		
(expressed in dollars and as a percentage of debt service		
requirements)	<u>\$ 919,244</u>	<u>105%</u>
Bond covenant coverage (under) over the required revenues	<u>\$ (126,932)</u>	

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CITY OF KANKAKEE, ILLINOIS
PROPRIETARY FUND TYPES
KANKAKEE ENVIRONMENTAL SERVICES UTILITY FUND
SCHEDULE OF REVENUE BONDS PAYABLE
April 30, 2013

	Series 2009		Series 2010A		Series 2010B	
Date of issue	December 1, 2009		December 2, 2010		December 2, 2010	
Interest rates	2.00% to 5.80%		5.35% to 6.50%		2.00% to 3.90%	
Principal redemption date	May 1		May 1		May 1	
Interest payment dates	May 1 and November 1		May 1 and November 1		May 1 and November 1	
Original issue	\$ 4,000,000		\$ 2,700,000		\$ 2,740,000	
Paid to date	<u>675,000</u>		<u>-0-</u>		<u>450,000</u>	
Balance, April 30, 2013	<u>\$ 3,325,000</u>		<u>\$ 2,700,000</u>		<u>\$ 2,290,000</u>	
Date as follows:						
Year ending April 30,	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 240,000	\$ 167,188		\$ 163,755	\$ 225,000	\$ 75,870
2015	250,000	158,787		163,755	230,000	70,245
2016	260,000	149,288		163,755	240,000	63,345
2017	270,000	138,107		163,755	245,000	56,145
2018	280,000	125,283		163,755	250,000	48,795
2019	295,000	111,282		163,755	260,000	41,045
2020	310,000	96,090		163,755	270,000	31,815
2021	325,000	79,660		163,755	280,000	22,230
2022	345,000	62,110	\$ 300,000	163,755	290,000	11,310
2023	365,000	43,135	310,000	163,755		
2024	385,000	22,330	320,000	147,705		
2025			330,000	130,655		
2026				112,575		
2027				93,600		
2028				71,500		
2029				48,425		
2030			1,440,000	24,700		
	<u>\$ 3,325,000</u>	<u>\$ 1,153,260</u>	<u>\$ 2,700,000</u>	<u>\$ 2,266,710</u>	<u>\$ 2,290,000</u>	<u>\$ 420,800</u>

Totals

\$ 9,440,000
1,125,000
\$ 8,315,000

Principal	Interest	Totals
\$ 465,000	\$ 406,813	\$ 871,813
480,000	392,787	872,787
500,000	376,388	876,388
515,000	358,007	873,007
530,000	337,833	867,833
555,000	316,082	871,082
580,000	291,660	871,660
605,000	265,645	870,645
935,000	237,175	1,172,175
675,000	206,890	881,890
705,000	170,035	875,035
330,000	130,655	460,655
	112,575	112,575
	93,600	93,600
	71,500	71,500
	48,425	48,425
<u>1,440,000</u>	<u>24,700</u>	<u>1,464,700</u>
<u>\$ 8,315,000</u>	<u>\$ 3,840,770</u>	<u>\$ 12,155,770</u>

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF GENERAL OBLIGATION BONDS PAYABLE
April 30, 2013

	Series 2005	Series 2006	Series 2007A			
Date of issue	February 1, 2005	September 15, 2006	August 2, 2007			
Interest rates	3.00% to 4.35%	3.50% to 5.25%	4.00% to 5.00%			
Principal redemption date	January 1	January 1	January 1			
Interest payment dates	July 1 and January 1	July 1 and January 1	July 1 and January 1			
Original issue	\$ 9,160,000	\$ 9,555,000	\$ 5,405,000			
Paid to date	<u>6,010,000</u>	<u>1,505,000</u>	<u>1,055,000</u>			
Balance, April 30, 2013	<u>\$ 3,150,000</u>	<u>\$ 8,050,000</u>	<u>\$ 4,350,000</u>			
Due as follows:						
Year ending April 30,	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 550,000	\$ 128,863	\$ 335,000	\$ 389,505	\$ 240,000	\$ 192,620
2015	595,000	106,863	655,000	376,775	260,000	182,420
2016	220,000	83,063	675,000	351,885	265,000	172,020
2017	235,000	74,263	375,000	325,898	95,000	161,155
2018	250,000	64,863	540,000	311,460	110,000	157,260
2019	265,000	54,113	585,000	290,400	125,000	152,750
2020	270,000	43,513	645,000	259,688	140,000	147,625
2021	285,000	32,443	730,000	222,600	160,000	141,745
2022	175,000	20,615	790,000	184,275	170,000	135,025
2023	180,000	13,178	880,000	142,800	180,000	127,885
2024	125,000	5,438	715,000	96,600	600,000	120,325
2025			1,125,000	59,063	635,000	90,325
2026					670,000	58,575
2027					700,000	30,100
2028						
2029						
	<u>\$ 3,150,000</u>	<u>\$ 627,215</u>	<u>\$ 8,050,000</u>	<u>\$ 3,010,949</u>	<u>\$ 4,350,000</u>	<u>\$ 1,869,830</u>

Series 2007B		Series 2008		Series 2009A	
August 2, 2007 4.25% to 4.36%		June 1, 2008 3.45% to 5.25%		April 15, 2009 2.30% to 5.00%	
January 1		January 1		January 1	
July 1 and January 1		July 1 and January 1		July 1 and January 1	
\$ 1,422,327		\$ 6,930,000		\$ 10,180,000	
<u>-0-</u>		<u>-0-</u>		<u>245,000</u>	
<u>\$ 1,422,327</u>		<u>\$ 6,930,000</u>		<u>\$ 9,935,000</u>	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 402,672	\$ 147,329		\$ 284,975	\$ 85,000	\$ 437,228
350,125	149,875		284,975	90,000	434,593
267,496	132,504	\$ 315,000	284,975	135,000	431,803
402,034	227,965	425,000	274,108	165,000	427,078
		585,000	259,020	735,000	421,303
		670,000	228,308	1,025,000	384,553
		900,000	193,808	635,000	333,303
		900,000	159,603	660,000	306,633
		985,000	124,953	690,000	278,913
		1,075,000	86,538	715,000	249,933
		1,075,000	43,538	745,000	219,903
				780,000	187,868
				810,000	154,328
				850,000	119,093
				890,000	81,693
				925,000	42,088
<u>\$ 1,422,327</u>	<u>\$ 657,673</u>	<u>\$ 6,930,000</u>	<u>\$ 2,224,801</u>	<u>\$ 9,935,000</u>	<u>\$ 4,510,313</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF GENERAL OBLIGATION BONDS PAYABLE
(Continued)
April 30, 2013

	Series 2009B		Series 2011A		Series 2011B	
Date of issue	April 15, 2009		April 27, 2011		April 27, 2011	
Interest rates	3.00% to 5.00%		2.50% to 4.90%		4.10%	
Principal redemption date	January 1		January 1		January 1	
Interest payment dates	July 1 and January 1		July 1 and January 1		July 1 and January 1	
Original issue	\$ 14,905,000		\$ 5,000,000		\$ 370,000	
Paid to date	<u>5,255,000</u>		<u>-0-</u>		<u>-0-</u>	
Balance, April 30, 2013	<u><u>\$ 9,650,000</u></u>		<u><u>\$ 5,000,000</u></u>		<u><u>\$ 370,000</u></u>	
Due as follows:						
Year ending April 30,	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 1,670,000	\$ 352,793	\$ 105,000	\$ 225,380		\$ 15,170
2015	2,275,000	294,343		222,755		15,170
2016	975,000	214,718	165,000	222,755		15,170
2017	1,045,000	180,593	225,000	216,980		15,170
2018	1,360,000	145,063		209,105		15,170
2019	1,500,000	96,103		209,105		15,170
2020	610,000	39,853	440,000	209,105	\$ 370,000	15,170
2021	35,000	9,353	600,000	190,185		
2022	40,000	7,830	725,000	164,385		
2023	45,000	6,090	855,000	132,123		
2024	45,000	4,133	930,000	92,365		
2025	50,000	2,175	955,000	46,795		
2026						
2027						
2028						
2029						
	<u><u>\$ 9,650,000</u></u>	<u><u>\$ 1,353,047</u></u>	<u><u>\$ 5,000,000</u></u>	<u><u>\$ 2,141,038</u></u>	<u><u>\$ 370,000</u></u>	<u><u>\$ 106,190</u></u>

Series 2011C		Series 2011D		Series 2012		Series 2012A	
April 27, 2011 2.00% to 3.00%		October 12, 2011 2.00%		March 13, 2012 2.00% to 2.50%		October 11, 2012 2.00% to 2.90%	
January 1		January 1		January 1		January 1	
July 1 and January 1		July 1 and January 1		July 1 and January 1		July 1 and January 1	
\$ 1,310,000		\$ 2,035,000		\$ 2,645,000		\$ 3,915,000	
690,000		940,000		80,000		-0-	
<u>\$ 620,000</u>		<u>\$ 1,095,000</u>		<u>\$ 2,565,000</u>		<u>\$ 3,915,000</u>	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
\$ 365,000	\$ 16,775	\$ 1,095,000	\$ 21,900	\$ 390,000	\$ 60,150	\$ 20,000	\$ 117,621
255,000	7,650			405,000	52,350	40,000	95,835
				420,000	44,250	460,000	95,035
				435,000	33,750	475,000	85,835
				450,000	22,875	495,000	76,335
				465,000	11,625	510,000	63,960
						520,000	51,210
						535,000	38,210
						320,000	24,300
						320,000	15,500
						220,000	6,380
<u>\$ 620,000</u>	<u>\$ 24,425</u>	<u>\$ 1,095,000</u>	<u>\$ 21,900</u>	<u>\$ 2,565,000</u>	<u>\$ 225,000</u>	<u>\$ 3,915,000</u>	<u>\$ 670,221</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF GENERAL OBLIGATION BONDS PAYABLE
(Continued)
April 30, 2013

	Series 2012B		Totals		
Date of issue	October 11, 2012				
Interest rates	2.00% to 3.00%				
Principal redemption date	January 1				
Interest payment dates	July 1 and January 1				
Original issue	\$ 3,790,000		\$ 76,622,327		
Paid to date	<u>-0-</u>		<u>15,780,000</u>		
Balance, April 30, 2013	<u>\$ 3,790,000</u>		<u>\$ 60,842,327</u>		
Due as follows:					
Year ending April 30,	Principal	Interest	Principal	Interest	Totals
2014	\$ 130,000	\$ 92,050	\$ 4,985,000	\$ 2,335,030	\$ 7,320,030
2015	160,000	76,300	5,137,672	2,297,358	7,435,030
2016	1,370,000	73,100	5,350,125	2,138,649	7,488,774
2017	1,820,000	45,700	5,562,496	1,973,034	7,535,530
2018	100,000	9,300	5,027,034	1,919,719	6,946,753
2019	100,000	6,300	5,245,000	1,512,387	6,757,387
2020	110,000	3,300	4,640,000	1,296,575	5,936,575
2021			3,905,000	1,100,772	5,005,772
2022			3,895,000	940,296	4,835,296
2023			4,250,000	774,047	5,024,047
2024			4,455,000	588,682	5,043,682
2025			3,545,000	386,226	3,931,226
2026			1,480,000	212,903	1,692,903
2027			1,550,000	149,193	1,699,193
2028			890,000	81,693	971,693
2029			925,000	42,088	967,088
	<u>\$ 3,790,000</u>	<u>\$ 306,050</u>	<u>\$ 60,842,327</u>	<u>\$ 17,748,652</u>	<u>\$ 78,590,979</u>

STATISTICAL SECTION



STATISTICAL SECTION

The objective of this part of the City of Kankakee's Comprehensive Annual Financial Report is to provide financial statement users with additional historical perspective, context, and detail. It is intended that the information in the financial statements, notes to financial statements, required supplementary information, and the statistical section, taken as a whole, will assist readers in further understanding and assessing the City's economic condition.

<u>Contents</u>	<u>Page(s)</u>
(A) <u>Financial Trends</u> These schedules contain trend information that indicates how the City's financial performance has changed over time.	122-126
(B) <u>Revenue Capacity</u> These schedules provide information on one of the City's most significant and locally controlled revenue sources, the property tax	127-130
(C) <u>Debt Capacity</u> These schedules provide information about the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future	131-134
(D) <u>Demographic and Economic Information</u> These schedules offer demographic and economic indicators about the environment within which the City operates. This information is intended to facilitate comparisons of the City's finances over time and among other cities.	135-136
(E) <u>Operating Information</u> These schedules contain service and infrastructure data related to the services the City provides and the activities it performs	137-139

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in Fiscal Year 2004; schedules presenting government-wide data include information beginning in that year.

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Table A-1

CITY OF KANKAKEE, ILLINOIS
NET POSITION BY COMPONENT (Unaudited)
Fiscal Years Ended April 30, 2004 to 2013
(accrual basis of accounting)
(amounts expressed in millions)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental Activities										
Net investment in capital assets	\$ 27.5	\$ 29.1	\$ 32.3	\$ 36.9	\$ 40.7	\$ 45.3	\$ 43.7	\$ 46.9	\$ 42.8	\$ 49.1
Restricted	4.9	9.4	6.9	9.8	8.9	10.8	6.3	9.6	7.6	6.3
Unrestricted	<u>(28.2)</u>	<u>(32.0)</u>	<u>(29.0)</u>	<u>(31.8)</u>	<u>(33.6)</u>	<u>(47.5)</u>	<u>(41.1)</u>	<u>(45.6)</u>	<u>(40.0)</u>	<u>(44.2)</u>
Total governmental activities net position	<u>\$ 4.3</u>	<u>\$ 6.5</u>	<u>\$ 10.2</u>	<u>\$ 14.9</u>	<u>\$ 15.9</u>	<u>\$ 8.6</u>	<u>\$ 9.0</u>	<u>\$ 10.8</u>	<u>\$ 10.4</u>	<u>\$ 11.1</u>
Business-type activities										
Net investment in capital assets	\$ 18.5	\$ 22.5	\$ 22.4	\$ 22.0	\$ 22.0	\$ 24.9	\$ 21.3	\$ 22.3	\$ 21.8	\$ 20.9
Restricted	2.2	2.2	2.8	1.7	1.1	2.2	1.4	1.5	2.0	1.7
Unrestricted	<u>7.8</u>	<u>4.0</u>	<u>3.2</u>	<u>3.6</u>	<u>3.7</u>	<u>2.6</u>	<u>5.3</u>	<u>2.8</u>	<u>1.2</u>	<u>0.1</u>
Total business-type activities net position	<u>\$ 28.4</u>	<u>\$ 28.7</u>	<u>\$ 28.4</u>	<u>\$ 27.4</u>	<u>\$ 26.8</u>	<u>\$ 29.7</u>	<u>\$ 28.0</u>	<u>\$ 26.6</u>	<u>\$ 25.0</u>	<u>\$ 22.7</u>
Primary government										
Net investment in capital assets	\$ 45.9	\$ 51.6	\$ 54.7	\$ 58.9	\$ 62.7	\$ 70.2	\$ 65.0	\$ 69.1	\$ 64.6	\$ 70.0
Restricted	\$ 7.1	\$ 11.7	\$ 9.7	\$ 11.5	\$ 10.0	\$ 13.0	\$ 7.7	\$ 11.0	\$ 9.6	\$ 8.0
Unrestricted	<u>\$(20.4)</u>	<u>\$(28.0)</u>	<u>\$(25.8)</u>	<u>\$(28.1)</u>	<u>\$(29.9)</u>	<u>\$(44.9)</u>	<u>\$(35.8)</u>	<u>\$(42.8)</u>	<u>\$(38.8)</u>	<u>\$(44.1)</u>
Total primary government net position	<u>\$ 32.7</u>	<u>\$ 35.2</u>	<u>\$ 38.7</u>	<u>\$ 42.3</u>	<u>\$ 42.8</u>	<u>\$ 38.4</u>	<u>\$ 37.0</u>	<u>\$ 37.4</u>	<u>\$ 35.4</u>	<u>\$ 33.8</u>

Source: Audited Financial Statements

Note: There may be some slight differences in totals due to rounding.

Table A-2

CITY OF KANKAKEE, ILLINOIS
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES (Unaudited)
Fiscal Years Ended April 30, 2004 to 2013
(accrual basis of accounting)
(amounts expressed in millions)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Program Revenues										
Charges for services:										
General government	\$ 1.6	\$ 1.4	\$ 1.1	\$ 1.2	\$ 1.2	\$ 1.2	\$ 1.2	\$ 1.2	\$ 1.3	\$ 1.4
Public safety	0.9	0.8	1.0	1.0	0.5	0.6	0.6	0.6	0.5	0.6
Public works	0.3	0.5	0.3	0.3	0.2	0.4	0.6	0.1		
Community development	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Operating grants and contributions	2.7	4.0	2.9	2.8	3.5	4.0	3.4	4.3	3.9	3.2
Capital grants and contributions	<u>0.1</u>	<u>1.1</u>	<u>2.0</u>	<u>2.9</u>	<u>6.9</u>	<u>0.7</u>	<u>4.3</u>	<u>0.2</u>	<u>0.1</u>	<u>0.3</u>
Total program revenues	<u>5.5</u>	<u>8.0</u>	<u>7.4</u>	<u>8.3</u>	<u>12.5</u>	<u>7.0</u>	<u>10.2</u>	<u>6.5</u>	<u>6.0</u>	<u>5.6</u>
Expenses										
General government	\$ 4.9	\$ 5.1	\$ 6.0	\$ 6.7	\$ 6.2	\$ 8.6	\$ 8.3	\$ 8.8	\$ 8.2	\$ 7.8
Public safety	11.3	11.7	12.5	13.1	13.6	14.2	16.1	16.2	17.0	17.1
Public works	2.1	2.1	2.2	2.1	2.5	3.6	2.4	0.3		
Highways and streets	0.9	2.6	3.3	1.7	7.2	2.2	3.3	1.2	3.1	2.6
Community development	2.0	2.7	1.4	1.5	1.8	2.5	1.9	2.4	2.2	1.9
Culture and recreation	0.1	0.1	0.1	0.1	0.1	0.3	0.1	0.0	0.2	0.0
Economic development	6.8	0.7	1.4	0.5	23.5	18.8	17.0	16.4	12.3	12.9
Interest and fiscal charges	<u>2.5</u>	<u>2.0</u>	<u>2.2</u>	<u>2.1</u>	<u>2.3</u>	<u>2.8</u>	<u>2.8</u>	<u>2.9</u>	<u>2.8</u>	<u>2.6</u>
Total Expenses	<u>30.7</u>	<u>26.8</u>	<u>29.1</u>	<u>27.8</u>	<u>57.1</u>	<u>53.2</u>	<u>51.9</u>	<u>48.2</u>	<u>45.7</u>	<u>44.9</u>
Net revenue (expense)	<u>\$(25.2)</u>	<u>\$(18.8)</u>	<u>\$(21.7)</u>	<u>\$(19.5)</u>	<u>\$(44.6)</u>	<u>\$(46.2)</u>	<u>\$(41.8)</u>	<u>\$(41.7)</u>	<u>\$(39.8)</u>	<u>\$(39.3)</u>
General Revenues and Other Changes in Net Position										
Property taxes	\$ 8.6	\$ 8.5	\$ 9.8	\$ 9.7	\$ 10.7	\$ 11.4	\$ 12.1	\$ 14.6	\$ 13.5	\$ 13.9
Special assessments						0.3	0.3	0.3	0.3	0.0
Illinois retailers' tax, net	4.3	5.3	6.2	6.0	26.6	24.4	21.1	21.3	18.7	18.6
Utility taxes	3.2	3.3	3.3	3.3	3.5	3.4	3.4	3.6	3.9	4.1
Other taxes	2.4	2.7	3.1	3.4	3.8	3.6	3.1	3.3	3.3	3.6
Intergovernmental, not restricted to specific programs	0.8	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Investment income	0.1	0.2	0.6	0.9	0.9	0.4	0.1	0.1	0.1	0.0
Gain (loss) on disposal of property and equipment										
Other	0.4	0.2	0.2	0.1	0.1	0.3	0.4	0.8	0.9	0.5
Contributions from developers		0.7	1.6							
Transfers	<u>(0.3)</u>	<u>0.2</u>	<u>0.9</u>	<u>0.7</u>	<u>(0.0)</u>	<u>(4.9)</u>	<u>1.5</u>	<u>(0.4)</u>	<u>(0.1)</u>	<u>0.1</u>
Total general revenues and other changes	<u>\$ 19.5</u>	<u>\$ 21.1</u>	<u>\$ 25.8</u>	<u>\$ 24.2</u>	<u>\$ 45.6</u>	<u>\$ 38.9</u>	<u>\$ 42.1</u>	<u>\$ 43.6</u>	<u>\$ 40.6</u>	<u>\$ 40.8</u>
Total change in net position	<u>\$(5.6)</u>	<u>\$ 2.3</u>	<u>\$ 4.1</u>	<u>\$ 4.7</u>	<u>\$ 1.1</u>	<u>\$(7.3)</u>	<u>\$ 0.3</u>	<u>\$ 1.9</u>	<u>\$ 0.8</u>	<u>\$ 1.5</u>

Note: There may be some slight differences in totals due to rounding.

Table A-3

CITY OF KANKAKEE, ILLINOIS
CHANGE IN NET POSITION - BUSINESS-TYPE ACTIVITIES
AND TOTAL PRIMARY GOVERNMENT
Fiscal Years Ended April 30, 2004 to 2013
(accrual basis of accounting)
(amounts expressed in millions)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Business-type activities										
Revenues										
Charges for services	\$ 7.9	\$ 8.3	\$ 8.3	\$ 8.4	\$ 8.8	\$ 10.0	\$ 12.6	\$ 12.0	\$ 12.6	\$ 12.7
Expenses	\$ 8.8	\$ 9.1	\$ 8.9	\$ 8.9	\$ 9.6	\$ 12.2	\$ 14.2	\$ 13.9	\$ 14.3	\$ 14.6
Net business-type revenues (expenses)	\$ (0.8)	\$ (0.8)	\$ (0.6)	\$ (0.5)	\$ (0.8)	\$ (2.2)	\$ (1.7)	\$ (1.9)	\$ (1.7)	\$ (2.0)
Other income and changes in net position -										
Investment income	\$ 0.0	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ -
Other	1.9	0.2	1.7	0.0	0.1	(0.0)	0.1	0.0	0.1	0.1
Contributions from developers	2.5	1.0								
Transfers	0.3	(0.2)	(0.9)	(0.7)	0.0	4.9	1.2	(0.8)	0.1	(0.1)
Total other income and changes in net assets	4.8	1.1	1.0	(0.6)	0.3	4.9	1.3	(0.8)	0.2	(0.0)
Total change in net position	4.0	0.2	0.3	(1.1)	(0.5)	2.8	(0.4)	(2.7)	(1.5)	(2.0)
Total Primary Government										
Program revenues	\$ 13.5	\$ 16.3	\$ 15.7	\$ 16.7	\$ 21.4	\$ 17.0	\$ 22.7	\$ 18.5	\$ 18.5	\$ 18.3
Expenses	\$ (39.5)	\$ (35.9)	\$ (38.1)	\$ (36.7)	\$ (66.7)	\$ (65.4)	\$ (66.2)	\$ (62.1)	\$ (60.8)	\$ (59.6)
Net revenues (expenses)	\$ (26.0)	\$ (19.7)	\$ (22.3)	\$ (20.0)	\$ (45.3)	\$ (48.4)	\$ (43.4)	\$ (43.6)	\$ (42.3)	\$ (41.3)
General revenues and other changes in net assets	\$ 24.3	\$ 22.2	\$ 26.8	\$ 23.6	\$ 45.9	\$ 43.8	\$ 43.4	\$ 42.9	\$ 40.3	\$ 40.8
Total change in net position	\$ (1.7)	\$ 2.5	\$ 4.4	\$ 3.6	\$ 0.6	\$ (4.6)	\$ (0.0)	\$ (0.8)	\$ (2.0)	\$ (0.5)

Source: Audited Financial Statements

Note: There may be some slight differences in totals due to rounding.

Table A-4

CITY OF KANKAKEE, ILLINOIS
FUND BALANCES, GOVERNMENTAL FUNDS (Unaudited)
Fiscal Years Ended April 30, 2004 to 2013
(accrual basis of accounting)
(amounts expressed in millions)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Fund										
Nonspendable	\$ 0.4	\$ 0.5	\$ 0.5	\$ 0.6	\$ 0.8	\$ 0.9	\$ 0.5	\$ 0.5	\$ 0.4	\$ 0.4
Unassigned	<u>2.2</u>	<u>2.1</u>	<u>2.6</u>	<u>2.6</u>	<u>2.3</u>	<u>1.3</u>	<u>0.0</u>	<u>1.0</u>	<u>1.4</u>	<u>2.4</u>
Total General Fund	<u>\$ 2.6</u>	<u>\$ 2.6</u>	<u>\$ 3.1</u>	<u>\$ 3.2</u>	<u>\$ 3.1</u>	<u>\$ 2.2</u>	<u>\$ 0.5</u>	<u>\$ 1.6</u>	<u>\$ 1.8</u>	<u>\$ 2.7</u>
All Other Governmental Funds										
Restricted for:										
Capital projects fund	\$ 1.6	\$ 5.9	\$ 3.5	\$ 7.4	\$ 5.4	\$ 7.9	\$ 4.4	\$ 8.0	\$ 5.0	\$ 3.1
Unexpended street maintenance									1.3	1.4
Economic development									0.9	1.3
Culture & recreation									0.0	0.0
Retirement obligations									0.4	0.5
Community development									0.2	0.2
Special revenue funds	1.6	2.0	2.2	1.8	2.5	1.9	1.6	1.3		
Debt service funds	1.8	1.5	1.2	0.7	0.9	1.0	0.3	0.3	0.4	0.4
Unassigned, reported in:										
Special revenue funds	1.5	1.2	0.9	0.4	1.7	0.7	0.3	0.8	(0.1)	(0.4)
Capital projects funds										
Debt service funds	<u>(0.0)</u>	<u>(0.0)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(0.0)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 6.4</u>	<u>\$ 10.6</u>	<u>\$ 7.8</u>	<u>\$ 10.3</u>	<u>\$ 10.6</u>	<u>\$ 11.5</u>	<u>\$ 6.6</u>	<u>\$ 10.4</u>	<u>\$ 8.1</u>	<u>\$ 6.5</u>
Total, all governmental funds	<u>\$ 9.0</u>	<u>\$ 13.2</u>	<u>\$ 10.9</u>	<u>\$ 13.5</u>	<u>\$ 13.7</u>	<u>\$ 13.7</u>	<u>\$ 7.2</u>	<u>\$ 12.0</u>	<u>\$ 9.9</u>	<u>\$ 9.2</u>

Source: Audited Financial Statements

Note: There may be some slight differences in totals due to rounding.

Table A-5

CITY OF KANKAKEE, ILLINOIS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (Unaudited)
Fiscal Years Ended April 30, 2004 to 2013
(modified accrual basis of accounting)
(amounts expressed in millions)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenues										
Taxes	\$ 18.5	\$ 19.8	\$ 22.4	\$ 22.5	\$ 44.6	\$ 42.9	\$ 39.8	\$ 42.7	\$ 38.8	\$ 40.1
Special assessments						0.3	0.3	0.3	0.3	0.0
Licenses, fees and permits	1.6	1.4	1.4	1.5	1.1	1.1	1.2	1.3	1.4	1.6
Intergovernmental	3.5	5.0	4.8	4.7	7.9	4.7	3.6	4.5	4.1	3.6
Charges for services	0.5	0.9	0.7	0.6	0.5	0.7	0.8	0.3	0.2	0.2
Fines and penalties	0.7	0.8	0.6	0.5	0.5	0.4	0.4	0.4	0.4	0.3
Investment earnings	0.1	0.2	0.6	0.9	0.9	0.4	0.1	0.1	0.1	0.5
Other revenues	0.4	0.3	0.3	0.2	0.1	0.3	0.7	0.8	0.9	-
Total revenues	<u>\$ 25.4</u>	<u>\$ 28.3</u>	<u>\$ 30.8</u>	<u>\$ 30.9</u>	<u>\$ 55.6</u>	<u>\$ 50.8</u>	<u>\$ 46.9</u>	<u>\$ 50.5</u>	<u>\$ 46.1</u>	<u>\$ 46.3</u>
Expenditures										
General government	\$ 4.7	\$ 5.4	\$ 6.5	\$ 7.1	\$ 9.1	\$ 8.2	\$ 7.6	\$ 7.2	\$ 6.8	\$ 6.7
Public safety	11.2	11.9	12.4	13.0	14.2	22.8	16.0	16.1	16.9	17.0
Public works	2.1	2.0	2.2	2.1	2.7	3.5	2.6	0.3		
Highways and streets	1.0	2.9	5.0	3.8	7.7	4.0	2.8	1.3	2.2	1.7
Community development	2.0	2.6	1.4	1.4	2.3	2.5	1.9	2.4	2.2	1.9
Culture and recreation	0.1	0.1	0.1	0.1	0.1	0.3	0.1	0.0	0.2	0.0
Economic development	4.1	0.7	1.4	0.5	24.2	18.8	16.5	16.4	12.4	12.9
Debt Service:										
Principal retirement	5.1	2.5	2.8	2.9	3.3	3.9	4.2	4.6	4.8	4.9
Interest and fiscal charges	1.9	2.0	2.2	4.0	2.3	3.4	2.7	3.1	2.9	2.8
Total expenditures	<u>\$ 32.2</u>	<u>\$ 30.1</u>	<u>\$ 34.0</u>	<u>\$ 34.8</u>	<u>\$ 65.7</u>	<u>\$ 67.6</u>	<u>\$ 54.4</u>	<u>\$ 51.3</u>	<u>\$ 48.4</u>	<u>\$ 47.9</u>
Other Financing Sources (Uses)										
Proceeds from borrowing	\$ 16.8	\$ 6.4		\$ 5.8	\$ 10.3	\$ 17.6		\$ 5.0		
Proceeds from refunding	8.0	3.2		4.3		15.1				
Payments to escrow agent	(7.9)	(3.1)		(4.4)		(11.0)		1.7	\$ 4.8	\$ 7.9
Proceeds from disposal of capital assets								(1.7)	(4.7)	(7.7)
Transfers in	3.8	1.9	\$ 2.9	4.1	4.0	4.7	\$ 4.4	4.5	2.9	3.0
Transfers out	(7.5)	(1.7)	(2.0)	(3.4)	(4.1)	(9.6)	(2.9)	(3.7)	(3.0)	(2.9)
Total other financing sources (uses)	<u>13.2</u>	<u>6.6</u>	<u>0.9</u>	<u>6.6</u>	<u>10.3</u>	<u>16.8</u>	<u>1.5</u>	<u>5.8</u>	<u>(0.1)</u>	<u>0.3</u>
Net change in fund balances	<u>\$ 6.4</u>	<u>\$ 4.8</u>	<u>\$ (2.4)</u>	<u>\$ 2.6</u>	<u>\$ 0.2</u>	<u>\$ (0.0)</u>	<u>\$ (6.0)</u>	<u>\$ 5.0</u>	<u>\$ (2.3)</u>	<u>\$ (1.3)</u>
Capital outlay (included in expenditures above)	<u>\$ 1.4</u>	<u>\$ 2.3</u>	<u>\$ 4.0</u>	<u>\$ 4.3</u>	<u>\$ 6.7</u>	<u>\$ 12.2</u>	<u>\$ 1.6</u>	<u>\$ 1.6</u>	<u>\$ (0.0)</u>	<u>\$ (0.0)</u>
Debt service as a percentage of non-capital expenditures	22.7%	16.2%	16.8%	22.5%	9.5%	13.2%	13.2%	15.3%	16.0%	16.0%

Source: Audited financial statements

Note: There may be some slight differences in totals due to rounding.

Table B-1

CITY OF KANKAKEE, ILLINOIS
ASSESSED VALUATION AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (Unaudited)
LEVY YEARS 2003 - 2012
(amounts expressed in thousands)

Levy Year	Residential ²	Commercial ²	Industrial ²	Farm ²	Railroad ²	Valuation, City of Kankakee		Ratio, Assessed/ Actual	City Direct Rate ¹
						Assessed ²	Actual ²		
2012	\$ 147,614	\$ 81,104	\$ 21,058	\$ 371	\$ 2,256	\$ 252,403	\$ 757,209	33.3%	6.156
2011	164,041	79,539	21,613	374	2,185	267,752	803,255	33.3%	5.448
2010	182,769	82,501	21,676	448	1,887	289,282	867,845	33.3%	4.880
2009	182,470	83,328	21,645	428	1,682	289,554	868,661	33.3%	4.785
2008	183,737	81,298	20,377	467	1,382	287,261	861,782	33.3%	3.997
2007	181,232	79,317	22,242	482	1,135	284,408	853,225	33.3%	3.808
2006	168,329	75,596	20,813	483	1,090	266,311	798,933	33.3%	3.806
2005	153,859	70,978	20,783	483	1,066	247,168	741,504	33.3%	3.735
2004	138,099	68,247	21,439	488	1,203	229,476	688,429	33.3%	3.923
2003	140,738	64,576	21,168	505	1,367	228,354	685,061	33.3%	3.693

Source: Office of the Kankakee County Clerk

Note: State law prescribes an assessment ratio of 33% of actual value.

¹City direct rate is per \$100 EAV

²Amounts expressed in thousands

Note: There may be some slight differences in totals due to rounding.

Table B-2

CITY OF KANKAKEE, ILLINOIS
PROPERTY TAX RATES - PER \$100 ASSESSED VALUATION, DIRECT AND OVERLAPPING GOVERNMENT (Unaudited)
LEVY YEARS 2003 - 2012

LEVY YEAR	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
City Direct Rates										
General Fund										
General Corporate	\$0.010	\$0.010	\$0.009	\$0.009	\$0.008	\$0.008	\$0.008	\$0.006	\$0.007	\$0.008
Fire Protection	0.106	0.107	0.098	0.092	0.087	0.087	0.086	0.163	0.183	0.201
Police Protection	0.082	0.082	0.076	0.071	0.067	0.067	0.067	0.173	0.194	0.213
Firemen's Pension	0.473	0.523	0.482	0.510	0.511	0.547	0.797	0.753	0.826	0.936
Police Pension	0.412	0.460	0.461	0.461	0.484	0.501	0.699	0.661	0.792	0.897
School Crossing Guard	0.012	0.013	0.012	0.011	0.010	0.010	0.010	0.011	0.012	0.013
Liability Insurance	0.454	0.455	0.421	0.378	0.371	0.370	0.369	0.401	0.452	0.496
Audit	0.015	0.016	0.015	0.014	0.013	0.013	0.013	0.015	0.017	0.019
Debt Service	<u>1.248</u>	<u>1.421</u>	<u>1.377</u>	<u>1.509</u>	<u>1.465</u>	<u>1.550</u>	<u>1.812</u>	<u>1.773</u>	<u>1.961</u>	<u>2.295</u>
Total General Fund	<u>\$2.812</u>	<u>\$3.087</u>	<u>\$2.951</u>	<u>\$3.055</u>	<u>\$3.016</u>	<u>\$3.153</u>	<u>\$3.861</u>	<u>\$3.956</u>	<u>\$4.444</u>	<u>\$5.078</u>
Special Revenue Funds										
Parks	\$0.017	\$0.017	\$0.016	\$0.015	\$0.014	\$0.014	\$0.014	\$0.000	\$0.000	\$0.000
Band	0.007	0.007	0.006	0.006	0.006	0.006	0.006	0.006	0.007	0.007
IMRF	0.238	0.239	0.220	0.207	0.194	0.203	0.280	0.295	0.323	0.355
Library	<u>0.619</u>	<u>0.573</u>	<u>0.542</u>	<u>0.523</u>	<u>0.578</u>	<u>0.621</u>	<u>0.624</u>	<u>0.623</u>	<u>0.674</u>	<u>0.716</u>
Total Special Revenue Funds	<u>\$0.881</u>	<u>\$0.836</u>	<u>\$0.784</u>	<u>\$0.751</u>	<u>\$0.792</u>	<u>\$0.844</u>	<u>\$0.924</u>	<u>\$0.924</u>	<u>\$1.004</u>	<u>\$1.078</u>
Total City Direct Rate	<u>\$3.693</u>	<u>\$3.923</u>	<u>\$3.735</u>	<u>\$3.806</u>	<u>\$3.808</u>	<u>\$3.997</u>	<u>\$4.785</u>	<u>\$4.880</u>	<u>\$5.448</u>	<u>\$6.156</u>
Special District and Overlapping Unit Rates										
Special Service Area No 1	\$2.000	\$2.000	\$1.986	\$1.963	\$2.000	\$2.000	\$2.000	\$2.000	\$2.000	\$2.000
Special Service Area No 2	0.048	0.047	0.047	0.043	0.041	0.039	0.040	0.040	0.044	0.049
Special Service Area No 3	1.249	1.198	1.087	1.008	0.947	0.952	0.083	0.083	0.100	0.100
Special Service Area No 5				0.300	0.300	0.300	0.300	0.300	0.145	0.154
Kankakee Township (including Road & Bridge)	0.551	0.536	0.515	0.508	0.494	0.511	0.515	0.533	0.569	0.618
School District No 111	4.620	4.664	4.455	4.320	4.196	4.294	4.319	4.325	4.695	4.491
Kankakee Valley Airport Authority	0.051	0.049	0.045	0.043	0.039	0.039	0.038	0.038	0.040	0.041
Kankakee Valley Park District	0.568	0.577	0.549	0.531	0.511	0.518	0.519	0.526	0.568	0.618
Kankakee County Forest Preserve District	0.060	0.060	0.058	0.056	0.054	0.056	0.057	0.059	0.060	0.600
Kankakee County	0.881	0.881	0.842	0.833	0.833	0.816	0.807	0.833	0.890	0.953
Kankakee Community College Dist #520	<u>0.311</u>	<u>0.304</u>	<u>0.320</u>	<u>0.348</u>	<u>0.381</u>	<u>0.377</u>	<u>0.384</u>	<u>0.396</u>	<u>0.404</u>	<u>0.417</u>
Total Overlapping Units	<u>\$10.339</u>	<u>\$10.316</u>	<u>\$9.904</u>	<u>\$9.953</u>	<u>\$9.796</u>	<u>\$9.902</u>	<u>\$9.062</u>	<u>\$9.133</u>	<u>\$9.515</u>	<u>\$10.041</u>
Overall Tax Rate	<u>\$14.032</u>	<u>\$14.239</u>	<u>\$13.639</u>	<u>\$13.759</u>	<u>\$13.604</u>	<u>\$13.899</u>	<u>\$13.847</u>	<u>\$14.013</u>	<u>\$14.963</u>	<u>\$16.197</u>

Note: Each taxing unit levies a total dollar amount. The rate is then determined by the County by dividing the levy by the taxable equalized assessed value of the property within each taxing unit's district.

Source: Tax bills for respective years

Note: There may be some slight differences in totals due to rounding.

Table B-3

CITY OF KANKAKEE
PRINCIPAL PROPERTY TAXPAYERS (Unaudited)
LEVY YEARS 2003 AND 2012 (10 YEARS, PRIOR AND CURRENT LEVY YEAR)

<u>Taxpayer</u>	<u>Levy year 2003</u>			<u>Levy year 2012</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
BASF Corporation (Cognis)	\$ 6,417,684	1	2.81%	\$ 4,792,833	1	1.90%
Great Oak LLC	4,052,572	2	1.77%	-		
Walmart				3,658,733	2	1.45%
Armstrong World Industries, Inc.	2,775,139	4	1.22%	2,864,843	3	1.14%
Riverside Senior Living Center	2,793,759	3	1.22%	2,849,634	4	1.13%
Presence Properties (Med Centers)	1,842,623	9	0.81%	2,702,837	5	1.07%
IKO Midwest, Inc.				2,637,716	6	1.05%
Riverwoods Association	2,558,509	5	1.12%	2,609,679	7	1.03%
Space Center Chicago, Inc.	2,556,417	6	1.12%	2,557,311	8	1.01%
Rohm & Haas (Cor Unum)	1,897,377	8	0.83%	2,169,030	9	0.86%
Riverstone Hotel Partners LLC				2,033,130	10	0.81%
GNB Industrial Battery	1,938,391	7	0.85%	-		0.00%
Heritage Executive Center, Inc.	<u>1,781,822</u>	10	0.78%			0.00%
Total	<u>\$ 28,614,293</u>		12.53%	<u>\$ 28,875,746</u>		11.44%
Total EAV	<u>\$ 228,353,812</u>			<u>\$ 252,402,916</u>		

Source: Kankakee County Treasurer

Table B-4

CITY OF KANKAKEE, ILLINOIS
PROPERTY TAX LEVIES AND COLLECTIONS (Unaudited)
LEVY YEARS 2003 - 2012

Tax Levy Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy	
		Amount	Percentage of Levy
2012	\$ 14,542,067		
2011	13,699,916	\$ 13,878,101	101.3%
2010	13,293,730	13,273,991	99.9%
2009	12,300,212	12,328,309	100.2%
2008	10,438,232	10,325,580	98.9%
2007	10,015,994	9,822,065	98.1%
2006	9,432,477	9,238,993	97.9%
2005	8,702,452	8,714,051	100.1%
2004	8,488,900	8,397,370	98.9%
2003	7,980,341	7,941,490	99.5%

Property taxes levied during the current fiscal year are not extended and/or collected until the subsequent fiscal year. Therefore, no property taxes are collected for the most recent tax levy year at the close of the current fiscal year.

Property taxes not paid at the time of the payment deadline are sold by the County Treasurer at auction. The proceeds from the sale of the unpaid taxes are remitted by the County to the City by the end of each calendar year. Therefore, there are no tax collections for subsequent years. The property owners then have two years to purchase the taxes back through the County before title to the property passes to the holder of the paid taxes.

The County Clerk rounds the levy to assure the full levy is extended. Periodically, this results in property tax collections slightly greater than 100% for a particular levy year.

Table C-1

CITY OF KANKAKEE, ILLINOIS
OUTSTANDING DEBT (PRINCIPAL AND INTEREST) BY TYPE AND LEGAL DEBT MARGIN (Unaudited)
Fiscal Years Ended April 30, 2004 to 2013

Fiscal Year Ended	Governmental Activities		Business-type Activities			Total Primary Government (A+B+E)	Total Debt per Capita	Total Debt as a % of Personal Income
	General Obligation Bonds (A)	Installment Loans (B)	Revenue Bonds (C)	Other Loans (D)	Total Business- type (C+D=E)			
2013	\$60,842,327	\$2,286,919 ²	\$ 8,315,000	\$ 4,350,000 ¹	\$ 12,665,000	\$ 75,794,246	\$2,752	8.6%
2012	65,302,327	2,591,617	8,765,000	4,000,000 ¹	12,765,000	80,658,944	2,929	9.1%
2011	69,687,327	2,884,600	9,205,000		9,205,000	81,776,927	2,970	9.2%
2010	68,912,327	3,166,333	6,795,000		6,795,000	78,873,660	2,869	9.0%
2009	72,817,327	3,484,556	2,970,000		2,970,000	79,271,883	2,884	9.1%
2008	55,097,327	3,660,534	7,545,000		7,545,000	66,302,861	2,412	8.0%
2007	51,455,000	359,319	8,075,000		8,075,000	59,889,319	2,179	7.6%
2006	50,620,000	444,500	8,585,000		8,585,000	59,649,500	2,170	7.8%
2005	53,110,000	703,023	9,075,000		9,075,000	62,888,023	2,288	8.3%
2004	49,165,000	733,086	9,545,000		9,545,000	59,443,086	2,162	8.0%

¹Line of credit²Installment loan

COMPUTATION OF LEGAL DEBT MARGIN -

The City of Kankakee, Illinois is a "Home Rule" unit as established by the 1970 Illinois Constitution. As a Home Rule Community, no statutory debt limit exists.

Table C-2

CITY OF KANKAKEE, ILLINOIS
RATIOS OF GENERAL OBLIGATION DEBT OUTSTANDING (Unaudited)
Fiscal Years Ended April 30, 2004 to 2013

<u>Fiscal Year Ended</u>	<u>GO Bonds</u>	<u>GO Debt Per Capita</u>	<u>GO Debt as a % of Personal Income</u>	<u>GO Debt as a % of Actual Property EAV</u>	<u>Value</u>	<u>Revenue Coverage, Utility Bonds</u>
2013	\$ 60,842,327	\$ 2,209	6.9%	24.1%	8.0%	1.06
2012	65,302,327	2,371	7.4%	22.6%	7.5%	2.48
2011	69,687,327	2,531	7.8%	24.1%	8.0%	2.48
2010	68,912,327	2,507	7.9%	23.8%	7.9%	3.80
2009	72,817,327	2,649	8.3%	25.3%	8.4%	0.19
2008	55,097,327	2,004	6.6%	19.4%	6.5%	1.36
2007	51,455,000	1,872	6.5%	19.3%	6.4%	1.31
2006	50,620,000	1,841	6.6%	20.5%	6.8%	0.99
2005	53,110,000	1,932	7.0%	23.1%	7.7%	0.74
2004	49,165,000	1,788	6.6%	21.5%	7.2%	0.71

Population and personal income from Table D-1

Source of revenue coverage calculation: City Records

Table C-3

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF DIRECT AND OVERLAPPING DEBT (Unaudited)
April 30, 2013

<u>Jurisdiction</u>	<u>Outstanding Debt</u>	<u>Estimate</u>	
		<u>Applicable to City Percent</u>	<u>Amount</u>
Direct			
City of Kankakee ⁽¹⁾	\$ 38,228,332	100.00%	\$ 38,228,332
Overlapping ⁽²⁾			
Kankakee School District No. 111	10,061,099	65.66%	6,606,118
Herscher SD#2	9,460,000	0.70%	66,220
Bradley SD#61	3,225,000	3.96%	127,710
Bradley-Bourbonnais HS #307	13,360,000	1.21%	161,656
Clifton SD#4	9,413,792	2.21%	208,045
Bourbonnais Park District	2,805,000	1.38%	38,709
Kankakee Community College #520	7,570,000	11.37%	860,709
Kankakee County ⁽³⁾	-	13.51%	-
Total Overlapping Debt	55,894,891		8,069,167
Total Net Direct and Overlapping Debt	\$ 94,123,223		\$ 46,297,499

2012 Equalized Assessed Valuation (EAV)	\$ 252,402,916
2012 Estimated Full Valuation	\$ 757,208,748
Population - 2010 Census	27,537
Full Valuation per Capita	\$ 27,498

Debt Ratios

	<u>% EAV</u>	<u>% Full Value</u>	<u>Per Capita</u>
Net Direct Debt: \$ 38,228,332	15.15%	5.05%	\$ 1,388
Net Direct and Overlapping Debt: \$ 46,297,499	18.34%	6.11%	\$ 1,681

(1) Net direct debt is exclusive of self-supporting debt

(2) Debt Information current to April 2013; overlapping bonded debt as of February 2013; source is Kankakee County

(3) The County's bonded debt totals \$22,835,000, all of which is self-supporting

Table C-4

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF UTILITY REVENUE SUPPORTED BOND COVERAGE (Unaudited)
Fiscal Years Ended April 30, 2004 to 2013

<u>FISCAL YEAR</u>	<u>Sewer Revenue</u>	<u>Sewer Expense (1)</u>	<u>Net Revenues Available for Debt Service</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage (2)</u>
2013	\$ 9,293,626	\$ 8,374,382	\$ 919,244	\$ 450,000	\$ 420,195	\$ 870,195	1.06
2012	9,426,813	7,284,586	2,142,227	440,000	424,515	864,515	2.48
2011	8,626,955	7,212,080	2,409,054	3,030,000	438,202	3,468,202	0.69
2010	7,872,919	6,392,731	1,480,188	175,000	214,788	389,788	3.80
2009	7,692,088	7,053,293	638,795	3,078,923	356,250	3,435,173	0.19
2008	8,836,943	7,598,441	1,238,502	530,000	377,936	907,936	1.36
2007	8,391,133	7,203,822	1,187,311	510,000	398,626	908,626	1.31
2006	8,290,892	7,393,728	897,164	490,000	417,930	907,930	0.99
2005	8,257,237	7,588,837	668,400	470,000	435,823	905,823	0.74
2004	7,919,209	7,278,870	640,339	450,000	457,855	907,855	0.71

(1) Total operating expenses exclusive of depreciation.

(2) Net revenues available for debt service divided by debt service payments.

Table D-1

CITY OF KANKAKEE, ILLINOIS
DEMOGRAPHIC AND ECONOMIC STATISTICS (Unaudited)
Fiscal Years Ended April 30, 2004 to 2013

<u>Fiscal Year Ended</u>	<u>Population</u> ¹	<u>Per Capita Personal Income</u> ²	<u>Total Personal Income</u>	<u>Unemployment Rate</u> ³
2013	27,537	\$ 32,115	\$ 884,350,755	13.9%
2012	27,537	\$ 32,261	\$ 888,371,157	14.5%
2011	27,537	32,398	892,143,726	15.0%
2010	27,491	31,810	874,488,710	16.7%
2009	27,491	31,738	872,509,358	15.5%
2008	27,491	30,269	832,125,079	12.0%
2007	27,491	28,812	792,070,692	8.8%
2006	27,491	27,694	761,335,754	7.9%
2005	27,491	27,430	754,078,130	9.1%
2004	27,491	27,103	745,088,573	9.9%

¹ Census Bureau

² Bureau of Economic Analysis for Kankakee/Bradley Metro Statistical Area

³ June 2013, Illinois Department of Employment Security

Table D-2

CITY OF KANKAKEE, ILLINOIS
LARGEST REGIONAL EMPLOYERS (Unaudited)
Fiscal Years Ended April 30, 2004 and April 30, 2013

<u>Employer</u>	2004			2013		
	<u>Number of Employees</u>	<u>Rank</u>	<u>% of Total County Population</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>% of Total County Population</u>
Riverside Healthcare	1,700	1	1.6%	2,254	1	2.0%
Shapiro Developmental Center	1,300	2	1.3%	1,400	2	1.2%
Presence St. Mary's Hospital	800	5	0.8%	1,199	3	1.1%
CIGNA (Connecticut General Insurance)	1,111	3	1.1%	900	4	0.8%
CSL Behring	900	4	0.9%	804	5	0.7%
Kankakee School District No. 111	797	6	0.8%	760	6	0.7%
Baker & Taylor Company	800	5	0.8%	600	7	0.5%
Kankakee County Government	491	9	0.5%	536	8	0.5%
Olivet Nazarene University	320	14	0.3%	531	9	0.5%
Sears Logistics Services	675	7	0.7%	388	10	0.3%
Kankakee Community College	500	8	0.5%	385	11	0.3%
Flanders-Precisionaire ¹				370	12	0.3%
City of Kankakee	373	12	0.4%	357	13	0.3%
Illinois Veterans Home ¹				335	14	0.3%
Van Drunen Farms ¹				302	15	0.3%
Total	<u>9,767</u>		<u>9.4%</u>	<u>11,121</u>		<u>9.8%</u>

¹Employer was not in top 15 in calendar 2004

Source: Economic Alliance of Kankakee County, September 2011
City of Kankakee records from fiscal 2004 audit

Table E-1

CITY OF KANKAKEE, ILLINOIS
FULL-TIME EQUIVALENT EMPLOYEES (Unaudited)
Fiscal Years Ended April 30, 2004 to 2013

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Government										
Mayor and Council	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0
Affirmative Action/Personnel	1.0	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Clerk	3.5	3.5	3.5	3.5	3.5	3.0	3.0	3.0	2.5	2.5
Finance/Central Services										
Accounting	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Billing and Collections	1.0	1.0	1.5	1.5	1.5	1.5	1.5	1.5	0.5	0.5
Legal										
Counsel and Legal	1.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Adjudication	3.0	3.0	3.0	3.0	3.0	2.0	2.0	2.0	2.0	2.0
Senior Aides	2.0	2.0	2.0	2.0	2.0	2.0	2.0	-	-	-
Public Safety										
Police										
Officers	71.0	70.0	70.0	73.0	73.0	74.0	74.0	70.0	69.0	70.0
Civilians	15.0	15.0	15.0	15.0	15.0	13.0	13.0	12.0	7.0	7.5
Fire										
Firefighters and Officers	50.0	50.0	51.0	52.0	52.0	58.0	58.0	56.0	52.0	53.0
Civilians	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.0	1.0
Code	15.0	15.0	16.0	16.0	16.0	15.0	15.0	12.0	9.0	9.0
Planning	-	-	-	-	-	-	-	-	-	-
Public Works										
Administration	2.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Garage	2.0	2.0	2.0	4.0	4.0	4.0	4.0	4.0	3.0	3.0
Streets, Alleys, and Solid Waste	10.0	10.0	10.0	19.0	21.0	21.0	21.0	22.0	25.0	29.0
Parks	1.0	1.0	1.0	1.0	1.0	1.0	1.0	-	-	-
Community Development Agency	6.0	6.0	6.0	6.0	6.0	9.0	9.0	9.0	9.0	7.0
Sewer Utility										
Administration and clerical	8.0	7.0	4.0	4.0	4.0	3.0	3.0	2.0	1.0	5.0
Lab	6.0	6.0	6.0	6.0	6.0	5.0	5.0	5.0	6.0	6.0
Sewer services	10.0	10.0	10.0	10.0	10.0	9.0	9.0	9.0	9.0	7.0
Technical services	4.0	4.0	4.0	5.0	5.0	11.0	11.0	11.0	9.0	8.0
Building maintenance	4.0	4.0	4.0	2.0	2.0	2.0	2.0	1.0	1.0	1.0
Plant operations and maintenance	-	-	-	-	-	-	-	-	-	-
Total	<u>238.0</u>	<u>237.0</u>	<u>237.5</u>	<u>251.5</u>	<u>253.5</u>	<u>262.0</u>	<u>262.0</u>	<u>248.0</u>	<u>232.5</u>	<u>238.0</u>

Source: City records

Note: There may be some slight differences in totals due to rounding.

Table E-2

CITY OF KANKAKEE, ILLINOIS
OPERATING INDICATORS (Unaudited)
Fiscal Years Ended April 30, 2004 to April 30, 2013

<u>Function/Program</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Public Safety										
Police										
Total arrests	2,809	2,478	2,633	2,575	3,750	2,366	2,225	2,038	2,038	2,230
Traffic citations	7,670	7,328	3,459	4,265	6,983	5,279	3,540	5,260	5,260	3,330
Fire										
Fire runs	2,232	2,378	2,479	2,643	2,564	2,727	2,328	2,509	5,377	5,372
Structure fires	102	94	123	124	114	144	173	123	88	57
EMS calls	3,314	3,371	3,394	3,445	3,755	3,723	3,768	3,782	3,658	3,685
Public Works										
Refuge collected (cu. yds)			19,627	22,718	22,718	22,718	19,005	10,059	10,059	10,000
Brush collected/processed (cu. yds.)			13,238	19,411	19,411	19,411	12,895	13,800	13,800	14,000
Wastewater										
Number of customers										
Residential and commercial	8,433	8,383	8,337	8,302	8,162	8,043	7,907	7,985	7,957	7,683
Industrial and institutional	42	38	38	33	36	40	40	40	44	45
Sewer charges (in thousands of \$'s)										
Residential	\$2,397	\$2,436	\$2,558	\$2,525	\$2,516	\$2,737	\$3,222	\$3,373	\$3,718	\$3,491
Industrial	\$3,816	\$4,197	\$3,979	\$4,130	\$4,714	\$4,372	\$4,729	\$5,076	\$5,709	\$5,355
Treatment capacity (MGPD)	17	16	15	14	14	14	14	14	14	14
Present Load (MGPD)	9	9	8	8	8	8	8	8	8	8

Source: City records

Table E-3

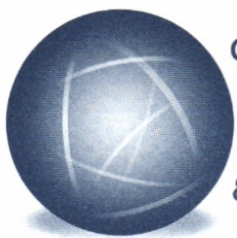
CITY OF KANKAKEE, ILLINOIS
CAPITAL ASSET STATISTICS (Unaudited)
Fiscal Years Ended April 30, 2004 to April 30, 2013

<u>Function/Program</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	24	24	24	24	24	25	25	25	25	25
Fire										
Stations	6	6	6	6	6	7	7	7	7	7
Front-line apparatus	6	6	6	6	6	7	7	7	7	7
Public works										
Streets (miles)	248	249	254	256	270	270	270	270	270	270
Alleys (miles)	113	113	113	113	113	113	113	113	113	113
Bridges	17	17	17	17	17	17	17	17	17	17
Sidewalks (miles)	219	219	221	222	222	222	222	222	222	222
Streetlights	135	135	180	192	192	192	192	192	192	192
Traffic signals (intersections)	9	9	9	33	33	33	33	33	33	33
Storm sewers (miles)	117	117	119	120	122	122	122	122	122	122
Wastewater										
Sanitary sewers (miles)	118	130	145	145	145	145	145	145	145	145

Capital assets information (Public works section) are not available for years prior to fiscal 2004

Source: City records

SINGLE AUDIT SECTION



**GROSKREUTZ
SCHMIDT
ABRAHAM
ESHLEMAN
& GERRETSE**

PARTNERS

Larry D. Groskreutz, C.P.A.
M.J. Abraham, C.P.A.
Amy Eshleman, C.P.A.
Dale L. Gerretse, C.P.A.

ACCOUNTANTS AND CONSULTANTS

MEMBERS OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and
Members of the City Council
City of Kankakee, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Kankakee, Illinois, as of and for the year ended April 30, 2013, and the related notes to the financial statements, which collectively comprise City of Kankakee, Illinois' basic financial statements, and have issued our report thereon dated November 8, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Kankakee, Illinois' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Kankakee, Illinois' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Kankakee, Illinois' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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214 South Center Street
Forrest, Illinois 61741
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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

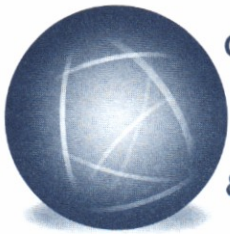
As part of obtaining reasonable assurance about whether City of Kankakee, Illinois' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Groszkreutz, Schmidt, Abraham, Eskleman & Gerretze

Kankakee, Illinois
November 8, 2013



PARTNERS

Larry D. Groskreutz, C.P.A.
M.J. Abraham, C.P.A.
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Dale L. Gerretse, C.P.A.

ACCOUNTANTS AND CONSULTANTS

MEMBERS OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

The Honorable Mayor and
Members of the City Council
City of Kankakee, Illinois

Report on Compliance for Each Major Federal Program

We have audited City of Kankakee, Illinois' compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Kankakee, Illinois' major federal programs for the year ended April 30, 2013. City of Kankakee, Illinois' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City of Kankakee, Illinois' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Kankakee, Illinois' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Kankakee, Illinois' compliance.

Opinion on Each Major Federal Program

In our opinion, City of Kankakee, Illinois, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2013.

Report on Internal Control Over Compliance

Management of City of Kankakee, Illinois, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Kankakee, Illinois' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Kankakee, Illinois' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Groskreutz, Schmidt, Abraham, Eskleman & Gerretse

Kankakee, Illinois
November 8, 2013

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended April 30, 2013

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>MAJOR PROGRAMS</u>			
<u>Department of Housing and Urban Development</u>			
Lead-Based Paint Abatement	14.900	ILL HB 0526-12	\$ 934,742
Lead-Based Paint Abatement	14.900	ILL HB 0456-09	141,749
			<u>1,076,491</u>
Total Major Programs			<u>1,076,491</u>
<u>OTHER PROGRAMS</u>			
<u>Department of Transportation</u>			
Passed-through Illinois Department of Transportation:			
Highway Planning and Construction	20.205	P-93-035-10	47,457
Highway Planning and Construction	20.205	P-93-024-06	12,881
Highway Planning and Construction	20.205	C-93-121-12	26,852
			<u>87,190</u>
Highway Safety Project	20.601		9,318
Total Department of Transportation			<u>96,508</u>
<u>Department of Homeland Security</u>			
Assistance to Firefighter Grant	97.044		<u>73,980</u>
<u>Department of Housing and Urban Development</u>			
Community Development Block Grant:			
Program year 2011	14.218	B-11-MC-17-0026	32,216
Program year 2012	14.218	B-12-MC-17-0026	412,428
			<u>444,644</u>
Passed-through Illinois Housing Development Authority:			
Homebuyer Acquisition and Rehabilitation Program	14.239	SHB-50436	51,667
Single Family Owner-Occupied Rehab Program	14.239	HO-50219	75,195
Single Family Owner-Occupied Rehab Program	14.239	HO-50229	113,063
			<u>239,925</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
For the year ended April 30, 2013

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Economic Development Initiative	14.251	B-09-SP-IL-0137	\$ 100,460
Total Department of Housing and Urban Development			<u>785,029</u>
<u>Department of Justice</u>			
Passed-through Illinois Criminal Justice Information Authority:			
Law Enforcement/Prosecutor-Based Victim Assistance Services	16.575	211044	4,757
Law Enforcement/Prosecutor-Based Victim Assistance Services	16.575	212044	<u>19,032</u>
			<u>23,789</u>
Passed-through Kankakee Area Metropolitan Enforcement Group:			
Project Safe Neighborhood	16.609	A1781	<u>11,322</u>
JAG Program Cluster:			
Passed-through Illinois Criminal Justice Information Authority:			
Edward Byrne Memorial Justice Assistance	16.738	409005	62,429
Edward Byrne Memorial Justice Assistance	16.738	411005	<u>87,752</u>
			<u>150,181</u>
Edward Byrne Memorial Justice Assistance (2009) - ARRA	16.803	809023	<u>83,149</u>
Total JAG Program Cluster			<u>233,330</u>
Total Department of Justice			<u>268,441</u>
Total Other Programs			<u>1,223,958</u>
Total Federal Awards			<u>\$2,300,449</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended April 30, 2013

SIGNIFICANT ACCOUNTING POLICIES:

The City's accounting records are maintained in accordance with the accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board.

The significant accounting policies followed by the City are as follows:

Reporting Entity

The financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable.

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Under modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers grant revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual basis of accounting.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until earned.

Subrecipients

The City did not have any subrecipients.

Other information

The City did not receive any federal insurance or non-cash assistance.

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended April 30, 2013

SECTION I – SUMMARY OF AUDITORS RESULTS:

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes

___X___ no

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

_____ yes

___X___ none reported

Noncompliance material to financial statements noted?

_____ yes

___X___ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ yes

___X___ no

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

_____ yes

___X___ none reported

Type of auditors report issued on compliance for major programs:

Unqualified

Any audit finding disclosed that are required to be reported in accordance with §510(a) of OMB Circular A-133?

_____ yes

___X___ no

Identification of major programs:

CFDA Number(s)

14.900

Name of Federal
Program or Cluster

Lead-Based Paint Abatement

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

___X___ yes

_____ no

(Continued)

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)
For the year ended April 30, 2013

SECTION II – FINANCIAL STATEMENT FINDINGS:

No findings are reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

No findings are reported.

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS:

No findings were reported.

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